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DUMPING
Brussels at odds with Gatt
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World News

Thousands will die 'because of Chernobyl'

Thousands will die in Byelorussia and Ukraine as a result of the 1986 Chernobyl nuclear disaster, according to scientists from the two Soviet republics. "The world must know that Byelorussia is living a nuclear genocide," said Dr Oleg Zhadiro, of the Byelorussia state university at Minsk. Page 3

Punjab blast kills 32
A bomb police believe was planted by Sikh extremists killed 32 Hindus taking part in a religious procession in Batala, Punjab state. Page 8

Peking promotion
Communist Party chief Jiang Zemin, 63, was elected unopposed by China's parliament as chairman of the state military commission to replace his mentor, senior leader Deng Xiaoping. Page 8

Kosovo illness
A group of ethnic Albanian children reported sick in a new outbreak of a mysterious illness in Yugoslavia's Kosovo province. A recent similar outbreak led to violence after claims of poisoning.

Jurors locked up
The Iran-Contra jury in Washington, deciding the fate of former White House adviser John Poindexter, was locked up because two jurors were contacted by a journalist.

New vetoes opposed
UN Secretary-General Javier Pérez de Cuéllar said in an interview he was opposed to an extension of Security Council veto power to Japan and a unified Germany.

Bombs rock Greece
A series of bomb explosions rocked Athens and the northern Greek city of Salonica, injuring a police officer and causing damage to government buildings. Page 2

Honecker leaves
East Germany's ailing former Communist Party chief Erich Honecker left the home of the Protestant pastor who had been sheltering him and a West German newspaper said he had been moved to a Soviet sanatorium.

Imelda accused
The prosecutor in the New York trial of Imelda Marcos, widow of the ousted Philippines president, said she plundered her country and used its national bank as a "personal piggy bank."

Nazi to be extradited
Suspected war criminal Joseph Schwammberger, 78, a former SS captain wanted for killing and deporting thousands of Jews, is to be extradited from Argentina to West Germany.

Senator abducted
A senator of Colombia's ruling Liberal Party was abducted in the cocaine centre of Medellín. Police said drug-traffickers were responsible.

Painting recovered
Swiss police have recovered "Wheatfield with Sheaves," a stolen $1.7m oil painting by Van Gogh, and detained three Italians.

Havel visits off
Czechoslovak President Vaclav Havel postponed state visits to Scandinavia and Switzerland because of the June general elections.

Salvador peace plan
El Salvador's Farabundo Marti Liberation Front guerrillas are to present a peace initiative to the government of President Alfredo Cristiani at bilateral negotiations in Geneva today. Page 6

Bulgaria to vote
Bulgaria's Communist-dominated parliament cleared the way for free elections on June 10 and 17. Page 3

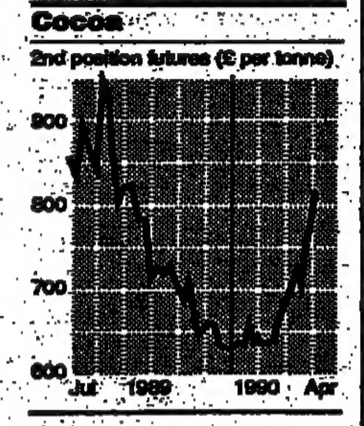
Business Summary

GEC takes over bulk of Plessey's activities

General Electric Company of the UK announced it had taken over the bulk of Plessey's activities, through the joint bid it launched in 1988 with Siemens, the West German electronics group. The division of Plessey's business will give GEC a predominant position in the UK defence electronics industry. Page 19

MARKETS: Cocoa prices closed at the highest levels for 6½ months after heavy trading.

Cocoa



in London, and were well up in New York at midsession. Page 30.

Tokyo share prices bounced back to close higher. The 225-share Nikkei rose 757.65 points or 2.71 per cent to 28,759.72. London shares recovered from a midday setback to close higher, spurred by a firmer start on Wall Street. The FT-SE 100 index closed 19.1 points up at 2,240.7. Back Page, Section II.

JAPAN made a forceful request to enlarge its shareholding in the Inter-American Development Bank, which channels development funds into Latin America. Page 18

MAXTOR, a leading California disk-drive manufacturer, launched a $40m bid for MiniScribe, the Colorado disk-drive company. Page 19

MORGAN Grenfell, UK merchant bank now owned by Deutsche Bank, is close to completing negotiations to hire a 30-strong team of traders in Third World debt from Libra Bank, the London consortium bank being wound down because of its problem loans to Latin America. Page 18

SAS, Scandinavian Airline Systems, said profits fell by 40 per cent to $558m in 1989. Page 19

PECHINEY, French state-owned aluminium and packaging group, announced net profits of $553m last year. Page 19

FERMENTA, Swedish pharmaceutical and finance group, announced plans to sell its two US-based subsidiaries, SDS Biotech and Fermenta Animal Health, by the end of this year. Page 22

CANADA and US have speeded up tariff cuts under the free trade agreement (FTA) between the two countries on trade worth about $4.48bn a year. Page 4

MAGNA International, the troubled Canadian auto parts maker, hopes to secure creditors' agreement for a plan to cut its $940.2m debt almost in half by selling various businesses, real estate and other assets. Page 22

US and Japanese negotiators headed into a second day of high-level trade talks declaring "considerable progress" had been made, but more had to be done to agree on measures to alleviate the stubbornly resistant $49bn trade imbalance. Page 4

BANQUE Bruxelles Lambert (BBL), Belgian bank, and International Aircraft Services (IAS), independent company based at Shannon, Ireland, are setting up a new aircraft leasing company called Airlease Finance. Page 24

Lithuania seeks deal with Moscow on independence

By Mark Nicholson in Moscow

LITHUANIA last night looked set to offer the Soviet authorities substantial concessions in a prelude to full negotiations over its declaration of independence.

Its compromise package would include a six-month suspension of the republic's March 11 independence declaration and willingness to hold a referendum on the issue, according to senior Lithuanian leaders.

Details of the compromise emerged as Moscow showed the first sign of willingness to break the diplomatic deadlock with the republic by talks in the capital between Mr Romualdas Ozolas, Lithuania's Deputy Prime Minister, and Mr Alexander Yakovlev, a senior Politburo member and member of the powerful new presidential council.

The compromise would be aimed at allowing full negotiations to start between the republic and Moscow on defining Lithuania's final economic, military and political relationship with the Soviet Union.

"We can compromise on anything but not the basic thing – our independence," Mr Ozolas said on arriving in Moscow with a mission of three other Lithuanian deputies.

Mr James Baker, the US Secretary of State, will today discuss ways of defusing the Lithuanian crisis when he begins three days of talks in Washington with Mr Edward Shevardnadze, the Soviet Foreign Minister.

The US has been actively involved with both the Moscow and Vilnius governments in seeking to move towards reconciling the two viewpoints.

Private messages have been stiffened by warnings that President George Bush will hold President Mikhail Gorbachev to his pledge not to use force. Page 6.

His meeting with Mr Yakovlev followed a strong public insistence from Soviet officials that no talks could take place outside the framework of the Soviet constitution.

Mr Arkady Maslennikov, the Soviet presidential spokesman, said yesterday: "We want a declaration that Lithuania is part of the USSR, and all questions can only be discussed on a constitutional basis."

Lithuanian leaders are hoping that the two-pronged compromise could soften Moscow's stance.

Under a possible "freeze" on independence, the republic would undertake to stop any practical steps towards implementing its declaration for six months. This would include, for instance, abandoning moves to set up its own border posts or issue its own visas.

An offer to hold a referendum, which the republic's leaders say would win an 80 per cent vote for independence, would satisfy repeated insistence from Moscow that the matter should be subject to a plebiscite. Lithuania would also insist on its own wording on the referendum form.

However, Lithuania insisted the package would be quite separate from Mr Gorbachev's proposed law on secession. The new secession draft bill yesterday passed another parliamentary hurdle in the Supreme Soviet.

This bill permits secession only after a referendum had won a two-thirds majority in any breakaway republic and requires a five-year "cooling off" period before independence could take effect. Secession under the law would also be subject to a veto by other republics.

In spite of yesterday's diplomatic moves, Moscow continued to step up pressure on Lithuania by closing the sole crossing on the republic's 130km border with Poland.

The republic's leaders would insist, however, that Lithuanian rather than Soviet laws would apply in the Baltic state throughout any such freeze.

Tension also continued at the two newspaper print works in the republic. The Moscow-loyalist rump of the Lithuanian Communist Party, which

Continued on Page 18

Moscow considers cash for oil and gas industry, Page 2

Pennsylvania to approve radical anti-takeover bill

By Peter Riddell, US Editor, in Washington

THE MOST far-reaching anti-takeover legislation of any US state is likely to be approved by the Pennsylvania legislature this week in the face of strong opposition from the Securities and Exchange Commission and institutional investors.

Among a series of restrictions on takeover approaches from out-of-state, including foreign companies, the measure would require someone holding stock in a company for less than two years to forfeit profits from sale of the shares for 18 months after initiating an unsuccessful buy-out offer or proxy fight for control of a company.

The measure would allow a corporation to sue to recover any profits earned from the sale of shares from any shareholder who has announced an intention to seek control of a company, while denying voting rights to any buyer of a certain amount of shares, unless the majority of shareholders vote to restore the rights.

The legislation also says that anyone except managers who initiates a proxy fight must be prepared to buy the target company at a price set by a judge.

Mr Richard Breeden, chairman of the Securities and Exchange Commission, has warned that the law would disenfranchise shareholders and leave incompetent managers "free to run a company into the ground." The proposal would "virtually eliminate shareholders' well-established right to use the proxy machinery to replace the board of directors."

The SEC may attempt to use federal laws to invalidate parts of the bill.

Some leading US institutional investors have already warned they will re-evaluate their ownership of shares in the state's companies if the measure becomes law. Even the head of Pennsylvania's own State Employees' Retirement System says that if the bill passes he will oppose any more investments in companies incorporated in the state.

The measure was approved 45-4 by the state senate in December; was endorsed by a committee of the state's House of Representatives last week and is due to be voted on by the full House this week.

The immediate inspiration is the possibility of a takeover approach for Armstrong World Industries of Pennsylvania from the Belzberg family of Canada. This has produced support for the measure from some companies and unions in Pennsylvania which say it is intended to curb corporate raiders at the expense of long-established companies.

The complication is that the Supreme Court has ruled that states can pass their own takeover laws, although there could be another legal challenge.

The measure follows other less restrictive moves in other states and reflects both a general concern over hostile takeover bids and, more particularly, hostility to foreign acquisitions.

Stempel given task of reviving GM

By Roderick Oram in New York

GENERAL MOTORS has elected Mr Robert Stempel chairman and chief executive, giving him the daunting task of reviving the world's largest industrial company.

The first engineer to lead the world's biggest car maker, Mr Stempel is highly regarded in Detroit and on Wall Street. He made his reputation in the 1980s laying the groundwork for the subsequent turnround of GM's European operations and then its troubled North American truck operations.

He was widely expected to succeed Mr Roger Smith, who has presided over nine trying years at GM. Under pressure from the Japanese and a revitalised Ford Motor, its North American car operations showed a fall in market share from 46.3 per cent to 34.7 per cent in the 1980s. They have barely broken even over the past three years.

Mr Stempel, 56, faces a huge task when he takes over on August 1. North American car makers have some 3m units of excess capacity, equal to more than 20 per cent of the annual market. GM accounts for more than 1m of that, is the highest cost producer and the most labour intensive.

GM chief Robert Stempel (right) and predecessor Roger Smith

A 32-year veteran of GM, he is president and chief operating officer. He is known as a reformer and loyal colleague rather than a revolutionary. Somewhat sensitive to criticism, he scrutinises problems at length before choosing a remedy.

Mr Smith pursued a reorganisation of GM in the 1980s, spending more than $70bn on new technology, plants and products and writing off obsolete assets. Two foundation stones to his new high technology GM were the $5bn purchase of Hughes, the electronics and defence aerospace group, and the $2.5bn takeover of Electronic Data Systems, the computer systems group founded by Mr Ross Perot, the maverick Texas billionaire.

Mr Smith's reputation hit bottom three years ago when the GM board paid Mr Perot more than $700m to sever his relations with the company. Mr Perot, a director since the EDS takeover, had become a bitter critic of GM's culture after he failed to instil his entrepreneurial style in the company's rambling bureaucracy.

Institutional shareholders demanded Mr Smith give them a personal explanation of the split. They have kept a eye on him since, angry that GM's stock price rose only 69 per cent in the 1980s while the Standard & Poor's 500 index soared 227 per cent. A vocal minority tried in January to get a say in choosing his successor but were rebuffed by the board.

Ms Ann Knight, an analyst with Paine Webber, said: "I don't think Roger Smith has been as bad as investors and the press believe. Since the end of 1986, GM has had a tremendous pay-off from the investment he was pounded to pulp for making."

Can Stempel engineer the recovery at GM? Page 19

Nordic groups buy French papermaker

By John Burton in Stockholm, George Graham in Paris and Maggie Urry in London

STORA, the Swedish pulp and paper group, and Kymmene, the Finnish forest products company, have jointly acquired Chapelle Darblay, France's leading newsprint and magazine paper producer, in a FFr1.32bn ($230m) deal.

The vendor is Pinault, the French timber and wood products company. The deal is subject to the approval of the French Government and the EC authorities.

Stora and Kymmene will also take over the debts of Chapelle Darblay, including FFr1.05bn owed to the French Government, which represents a state subsidy granted in 1984 and converted into debt when Mr François Pinault took over in 1988.

The takeover is being effected through a company owned jointly by Kymmene and Stora News, a subsidiary of Stora.

The move was seen yesterday as part of the growing concentration of pulp and paper groups, particularly in Europe. Nordic groups have been anx-

Continued on Page 18

London traded options market and Liffe announce merger

By Deborah Hargreaves in London

THE LONDON International Financial Futures Exchange is to join forces with the London Traded Options Market in a move that will create Europe's largest futures and options exchange.

The two markets have discussed a merger periodically for more than three years. Yesterday's announcement surprised brokers, who had no idea they had come so close to a decision, but they were none the less pleased by the move.

The Bank of England is believed to have been a keen matchmaker to the merger and will chair the exchanges' joint action group responsible for drawing up the merger plans.

Pressure on the LTOM and Liffe to establish a closer relationship was stepped up in recent weeks when users of the exchanges united to form a users' group to push for a merger.

The Bank of England is understood to be concerned that the obstacles to the development of London's futures and options markets are removed because it believes the markets are important to London's position as a financial centre.

The single exchange created by the merger will be the first to trade stock options, stock index futures and financial futures on one trading floor. It will be in a strong position to compete with French and German rivals in the run-up to the EC single market in 1992.

Mr David Burton, Liffe chairman, said: "This is a vision that will make London much more competitive in the 1990s and will be important to the future of the City as a whole." He would like to see all of London's commodity markets come together under one roof.

Liffe holds the upper hand in any merger talks because its growth in the past year has been enormous while LTOM has stagnated. Turnover on Liffe has reached some £35bn ($57.7bn) a day after almost doubling its contract volume in the first quarter of the year.

The development of LTOM since its inception in 1978 is widely believed to have been hampered by its link with the London stock exchange which has controlled its ability to raise funds. LTOM had been discussing its autonomy for six months.

Mr Andrew Hugh Smith, stock exchange chairman, said yesterday that the LSE would hoped to retain some link to the merged market. The initiative for the merger grew out of the need to compete in Europe and the dangers of duplicating products, he said.

The announcement was welcomed by brokers on the floors of both exchanges yesterday, many of whom had been frustrated at the slow progress LTOM had been making in its attempt to break away from the Stock Exchange. Some brokers had recently threatened to set up their own market.

The Liffe and LTOM joint action group is set to report on a likely location for the merged market's trading floor by the end of the month and put forward plans for full-scale integration by the end of June.

Details, Page 25; New York gas futures contract, Page 30; Lex, Page 18

CONTENTS

Puerto Rico: quasi-colonial ties or a State of the Union?

Mr Rafael Hernandez Colon, Puerto Rico's governor, wants to keep the island's "free association" status by which companies there get tax breaks, but which also gives it little representation in Washington
Page 6

MARKETS

STERLING
New York lunchtime:
$1.635
London:
$1.6355 (1.6310)
DM2.780 (2.7775)
FFr9.3425 (same)
SFr2.4575 (same)
Y260.00 (259.25)
£ index 87.4 (same)

GOLD
New York: Comex Jun
$380.1 (374.5)
London:
$375.25 (369.0)

N SEA OIL (Argus)
Brent 15-day May
$18.60 (18.575)

Chief price changes yesterday: Page 19

DOLLAR
New York lunchtime:
DM1.7005
FFr5.7155
SFr1.5040
Y159.15
London:
DM1.7005 (1.7030)
FFr5.7125 (5.7275)
SFr1.5020 (1.5070)
Y159.00 (158.95)
$ index (69.0)
Tokyo close: Y158.95

US lunchtime rates
Fed Funds $8\frac{5}{16}$%
3-mo Treasury Bills:
yield: 8.057%
Long Bond:
$98\frac{5}{8}$
yield: 8.621%

STOCK INDICES
FT-SE 100:
2,240.7 (+19.1)
FT Ordinary:
1,761.3 (+13.2)
FT-A All-Share:
1,111.57 (+0.8%)
New York lunchtime:
DJ Ind. Av.
2,727.25 (+26.80)
S&P Comp
341.87 (+3.17)
Tokyo: Nikkei
28,759.72 (+757.65)

LONDON MONEY
3-month Interbank:
closing $15\frac{7}{32}$ ($15\frac{1}{8}$-$15\frac{7}{32}$)
Liffe long gilt future:
June $81\frac{17}{32}$ ($81\frac{3}{8}$)

EUROPEAN NEWS

Moscow considers extra cash for oil and gas industry

By Quentin Peel in Moscow

THE SOVIET Government has promised decisions by next Monday on extra finance for the oil and gas industry, new measures to guarantee supplies of pipes and drilling equipment, and extra food and housing, in an urgent effort to head off a strike by Siberian oil and gas workers.

The authorities are also considering raising the wholesale price of oil within the Soviet economy from Rbs30 per tonne to the international level of around $120, or Rbs72, from next January, in spite of the huge inflationary effect this would have on production costs throughout the Soviet economy.

A top trade union leader said yesterday that he believed important government concessions to the oil industry were essential for its normal working and to head off the threat of "extremists" taking control of workers' organisations in key areas like Tyumen in western Siberia – source of more than 60 per cent of Soviet oil and gas production.

"Until now we are just keeping the situation under control, in the hands of trade union officials," said Mr Karatai Turysov, the central committee secretary of the All-Union Central Council of Trade Unions responsible for the industry.

"But if control of the situation is lost, if the Government does not give a proper decision, we cannot exclude that extremists will organise some demonstrations and mass protests."

He said that work collectives in the Tyumen region were waiting to see the text of government resolutions on the four main areas of their grievances:

- lack of central financing for drilling programmes
- disruption of essential supplies, including pipes and drilling equipment
- deteriorating food supplies, including meat, throughout western Siberia
- problems in construction of housing and social facilities.

Mr Turysov, who is the senior union official responsible for a string of key industries threatened by industrial unrest – including coal, power generation, iron and steel, as well as the oil sector – denied that the official unions were deliberately pressing radical demands to undermine the economic reform process.

"We know that a strike is a tragedy first of all for the workers themselves," he said. "I see my main task is to solve all the problems, and not allow the working process to stop.

"If the Government does not decide those problems, then it is certain we will see a decrease in the oil production and from all the industries which depend on it. The conditions and supplies will not be there for work.

"I don't think they will take the extreme measure of a strike, but we cannot exclude fully that possibility."

At a meeting of oil industry executives, trade union officials, and deputy prime ministers, chaired by Mr Nikolai Ryzhkov, the Prime Minister, last week, many industry officials demanded an increase in the oil price to the international level.

Mr Ryzhkov promised a decision on energy prices "in the near future," presumably referring to the latest plans for a mammoth government package of radical reform measures in the coming weeks.

GRASSROOTS leaders of the huge Soviet coal mining industry have formally announced their determination to quit the official trade union movement and form their own independent Miners' Union.

The move by leaders of last summer's mass miners' strike in three of the country's key coal fields amounts to the most serious challenge yet to Communist Party control of workers through the official unions, and contains the threat of further industrial unrest as rival unions compete for members.

It was announced at the weekend after the miners' strike leaders walked out of an extraordinary congress of coal industry unions, claiming the event was simply "a congress of apparatchiki and employers."

They quit the meeting in spite of a passionate appeal by Mr Arthur Scargill, the British miners' leader, not to split their union. "The only people who gain from such a split are the management and the Government," he told the delegates, apparently ignoring the fact that in the Soviet Union the management, Government and official unions are virtually indistinguishable.

The strike committee leaders warned of the danger of a new wave of strikes in the mining industry, because of the failure of the union leadership to meet their own members' demands.

The split in the miners' movement, threatened ever since last year's strike, finally happened when the official union leadership packed the special congress with full-time officials and mine managers and gave the strike leaders no right to speak, according to a statement issued by strike committee representatives.The delegates included 319 trade union officials, 56 mine managers, 19 Communist Party officials, 52 engineers and 50 other specialists - compared with only 123 working miners.

The strike leaders attacked the trade union for adopting new rules without consulting the miners' work collectives and failing to consider the Government's performance in meeting the demands for social spending and devolution of decision-making put forward by the strike.

"The need to create a Union of Mineworkers remains high, and we will establish such a union," they said. "Only then, unity will appear in the miners' ranks, and the country will not be faced with the threat of spontaneous strikes – a disorganised economy which has given practically nothing to the miners."

Stockholm prepares new austerity plan

THE SWEDISH Government said yesterday it would propose a new package of anti-inflation measures after the collapse of a plan to introduce voluntary wage restraint, writes John Burton in Stockholm. Mr Allan Larsson, Finance Minister, would not disclose details of the economic austerity programme, which he said was still being worked out, but hinted it could affect spending on social services and proposed expansion in holiday and parental leave.

The plan to limit pay growth in 1990 and 1991 foundered on a final rejection by PTK, the federation of white-collar workers in the private sector, despite a last-minute appeal by Mr Larsson on Monday evening. The Government said 90 per cent of employer organisations and 70 per cent of unions had agreed to the proposal, tabled on Friday by a state mediator.

Irish budget deficit widens

Signs that all is not well in the Irish economy have come with the release of Exchequer returns showing a growing gap between expenditure and income, leading to a first quarter current budget deficit of I£364m (£353m), writes Kieran Cooke in Dublin. The deficit figure is already more than I£100m above the forecast budget deficit for the whole year.


Reynolds: exceptional factors

In efforts to control a national debt of I£25bn, the Government has made a series of public expenditure cuts over the past three years. But Exchequer borrowing in the first quarter of 1990 rose more than 30 per cent compared with the same period last year to I£407m.

Mr Albert Reynolds, the Finance Minister, said the figures had been caused by several "exceptional factors", including the late receipt of I£30m of EC social funds and higher than expected public health service spending due to a flu epidemic.

UK to cut forces in Gibraltar

British forces in Gibraltar, due to be scaled down next year with the withdrawal of the resident army battalion, are to be reorganised under a unified command from October, according to military officials, writes Joe Garcia in Gibraltar.

Royal Air Force and Navy personnel as well as the residual army presence of about 100 will come under a new Commander of British Forces Gibraltar, who will be a Rear Admiral.

European airlines carry more

The number of fare-paying passengers carried by European airlines increased by 9.8 per cent in February compared with the same month last year, according to the Brussels-based Association of European Airlines, writes Paul Abrahams. However, growth of European capacity on north Atlantic routes exceeded passenger demand. The number of available seat kilometres increased by 13.8 per cent, while the number of revenue passenger kilometres increased by only 8.2 per cent. Growth in airfreight carried by European airlines increased by 4.7 per cent.

Hungarian newspapers launched

Axel Springer-Budapest, a joint venture majority-owned by Axel Springer Verlag, the West German media group, said yesterday it had launched four regional daily newspapers in Hungary, Reuter reports from Budapest. Axel Springer-Budapest has taken over the complete staffs of four existing dailies owned by the Socialist Party, formed to succeed the Communist Party last October.

France on course for strong growth

By Ian Davidson in Paris

FRENCH ECONOMIC growth is expected to remain strong this year, according to the latest government assessment which has yet again revised in a more optimistic direction many of the components of its previous forecasts.

Gross domestic product is expected to grow by 3.2 per cent this year, compared with 3.7 per cent in each of the past two years and a forecast last autumn of only 3 per cent growth in 1990. Next year, the Government expects growth of 2.8 per cent.

The Government believes the anticipated economic growth in Germany and eastern Europe will offset a slowdown in Britain and the US, while industrial investment is likely to increase by 11.5 per cent in 1990 after 9.4 per cent last year.

However, it does not now expect the improvement in the large French trade deficit this year which it was hoping for last autumn. Exports are forecast to grow faster than output, at 5.9 per cent, but imports are likely to grow more quickly still, by 6.7 per cent.

The result is a forecast trade deficit of FFr42bn (£4.5bn) this year, virtually the same as last year's FFr44bn deficit; and next year's deficit is likely to remain high at FFr39bn.

An important bull point in the forecast is that inflation is expected to slow sharply this year to 2.5 per cent, compared with 3.6 per cent in 1989. The Government explains this new forecast by lower food prices and the strength of the franc.

The slowdown in the rate of inflation will play an important part in accelerating the rate of growth in the purchasing power of disposable income (expected to rise by 3.3 per cent this year compared with 2.8 per cent in 1989) and in promoting increased employment, which has expanded by 550,000 jobs during the past two years.

East Germany's plum land sites going to affluent Westerners

By Leslie Colitt in Berlin

THE D-MARK is about to change Phöben, a peaceful farming village 30km west of Berlin, more radically than the collectivisation in the 1950s. An 18-hole golf course for well-heeled West Berliners is taking shape on the rolling meadows of the local fruit-growing collective farm. The farm administration has agreed to lease the land for 99 years to a West Berlin investment company As Consult.

It was quickly given permission by the local authorities to erect a club house, bungalows and a hotel which will employ local labour. The farm was able to conclude the deal under a new regulation allowing users of state property to lease it to westerners if this is deemed in the public interest.

The golf club, which will cost DM12,500 (£4,600) to join, qualified, despite protestations from several members of the farm that a private golf course was scarcely in the community's interest.

East Germany's Social Democrats (SPD) yesterday began formal coalition talks with the conservative Alliance for Germany which won last month's election. The Alliance wants to share responsibility for tough economic decisions with the SPD and needs its support in order to obtain the required two-thirds majority in parliament for constitutional changes necessary for unification with West Germany.

Mr Karl Ströml, a partner in As Consult, said farm officials had welcomed his company's offer as they were afraid of competition from fruitgrowers in the European Community after unification. People in Phöben feared unemployment would soar to 50 per cent and were overwhelmingly in favour of the golf course.

West German property developers are scouring East Germany for land on which to erect shopping centres and office buildings. While most land is publicly owned, user rights are held by social organisations and co-operatives. Officials who head them are busily concluding leasing deals with western companies.

East German employees complain bitterly about this practice. They note that in the past they had no rights under *Volkseigentum* (people's or national property) and now had no say in its disposal.

Some of the most mysterious deals have involved property belonging to the former Stasi secret police.

Thus, a baroque manor in Schönwalde near Berlin which served as an exclusive Stasi guest house was leased to a West Berlin gambling casino last month for a mere DM18,000 a year. A citizen's watchdog group controlling the dismantling operation, having discovered the meagre size of the rent, has now demanded that the contract be made void.

Greek Premier calls for calm ahead of polls

By Kerin Hope in Athens

GREECE'S caretaker Prime Minister, Mr Xenophon Zolotas, yesterday appealed for calm in the run-up to Sunday's general election, after a political shooting on Crete and a series of bomb explosions in Athens and Salonica.

"Violence breeds more violence and this leads to extremes. Normality and a calm climate are a national necessity," he said. Tensions have worsened since a man was killed and a teenager wounded in clashes between conservative and socialist supporters before a conservative rally in Heraklion on Sunday.

With opinion polls showing a slight decline for both parties, local rivalries have intensified in the campaign's final stages. A policeman was hurt by a bomb outside the Federation of Greek Industry building in Athens, where other blasts hit the Economy Ministry and the union headquarters. Two left-wing groups claimed responsibility.

EUROPEAN NEWS

Delayed Portuguese sale ready to resume

Tighter rules and more flexibility are in place for privatisation, writes Patrick Blum

PORTUGAL'S privatisation programme is ready to resume after several months' delay. Investors are still waiting for Mr Miguel Beleza, the new Finance Minister, to say which companies will be sold and when, but the Government's privatisation law allowing 100 per cent denationalisations has at last made it to the statutes books.

A last-minute challenge over the law's constitutionality failed, but plans for this year already were well behind schedule. After last year's successful part-privatisations of a brewery, a bank and two insurance companies, the programme lost momentum. A Government reshuffle in January did not help.

"The Government changes caused delays," a senior consultant says. "The new finance minister and the people around him have no experience of privatisations or of company management. Many advisers have an academic background, but the market is more complex. As a result the first five or six months of this year are lost."

Less charitable critics say the Government is dragging its feet and failing to live up to its free market rhetoric. "What privatisation?" asks an analyst for a finance company. "The Government still holds a majority shareholding (in the part-privatised companies) and it still appoints members on their boards. Until companies are fully sold off, you cannot really talk of privatisation."

This year's programme is more ambitious with the expected sale of the state's remaining 51 per cent in the four part-privatised companies, the partial sale of a big cement company, the possible full privatisation of the largest state-owned commercial bank, of another brewery and of at least one daily newspapers (see table).

Despite last year's successes – each share issue was substantially oversubscribed and the Government raised over $470m from the sales – there has been growing concern about the procedure and the role of foreign groups.

Several problems have arisen:

PORTUGAL: PRIVATISATION

Company	activity	offer* (%)	value**/ raised (bn Esc)	date
SOLD				
Unicer	brewery	49	9.5	April 89
Banco Totta & Acores (BTA)	bank	49	28.5	July 89
Alianca	insurance	49	7.1	Oct 89
Tranquilidade	insurance	49	25.8	Dec 89
PLANNED FOR SALE IN 1990				
Unicer		51		
BTA		51		
Alianca		51		
Tranquilidade		51		
Centralcer	brewery	49-100		
Banco Portugues do Atlantico	bank	33	130	
Cimpor	cement	-	110-160	
Jornal de Noticias	newspaper	86	2.5-3	May/June 90

*percentage of shares sold or to be sold
**based on most recent evaluation in preparation for privatisation

● The method chosen – selling shares on the stock exchange – proved open to manipulation as powerful groups jostled for leading positions. International investors got around the Government's 10 per cent limit on privatised shares by making alliances with Portuguese groups or acting through local subsidiaries. Portuguese groups were equally prone to bend the rules.

The new law tightens the rules and gives the authorities more flexibility. Each privatisation will be regulated by a specific decree outlining the form, method, grounds and special conditions for buying shares. Quotas on foreign shareholdings will depend on the company's role in the economy and on potential benefits from new technologies and access to new markets. Breaking the rules will incur penalties including the forced resale of shares.

● To counter a public outcry about the possible take-over by foreigners of some of Portugal's major companies, the authorities are encouraging the creation of hard cores of Portuguese investors who could pre-qualify for a stake before the company is floated.

For important companies the Government may introduce a "golden share" on the British model, to ensure that the state retains a strong say in their management. Sceptics say hard cores of Portuguese investors will be difficult to form and will not necessarily be stable.

"You can bring Portuguese groups together, but each group has different interests. Even with safeguards, it doesn't solve the problem," says one analyst.

The Government faces another dilemma. More than 70 companies spanning over a wide range of activities are fully owned by the state. The Government wants to privatise as many of these as it can, but there are not enough large Portuguese groups to absorb such a volume of privatisations.

● *Corporate investors were willing to pay high prices for a stake in part-privatised companies to gain access to markets,* a branch network, or long-term positions. But as the programme gathers steam, demand will be more dispersed and investors will be in a stronger position to resist high prices. Many companies need restructuring and investment before they can be sold. This will take time and raise costs, thereby offsetting part of the benefits to the Government.

● Some of the part-privatised companies have not fully adjusted to their new status. There is a culture clash between new private shareholders and old managements used to state support.

"Privatising capital is one thing; privatising the management of these companies is another," says a senior private banker. Companies cannot make strategic decisions while their share ownership remains uncertain, adding urgency to the task of completing their privatisation.

● The main political parties broadly support privatisation with differences over what should be privatised and how, but the Government has to show that it is not "selling the family silver" at knock-down prices, especially with general elections due next year.

Mr Beleza, who is struggling with a troublesome budget deficit and rising inflation – running at near 13 per cent – has less time and room for manoeuvre than his predecessor. Analysts expect political considerations to affect the timing and method of the larger and more sensitive privatisations.

But with legal obstacles now out of the way, they hope the Government will press ahead with the programme and live up to its free market principles.

"The legislation is there and it's possible to do several different types of privatisations at the same time so now it's really up to the Government," the consultant says.

This is the sixth article in a series on privatisation. Previous articles appeared on February 28, March 6, 13, 23 and 29.

Soviet scientists spell out the terrible legacy of Chernobyl

By Jennifer Monahan in Cracow and Quentin Peel in Moscow

THOUSANDS will die in Belorussia and Ukraine as a result of the 1986 Chernobyl nuclear disaster, according to Soviet scientists from the two Soviet republics.

Their warning is based on findings described last weekend to delegates from eastern and western Europe at a medical ethics conference organised in the Polish city of Cracow by the French group Médecins du Monde.

"The world must know that Belorussia is living a nuclear genocide," said Dr Oleg Zhadiro, professor of radiobiology at the Belorussian State University in Minsk.

Two million people lived in the area of Belorussia which has become known as "dirty territory" because of the high levels of radioactivity measured on the ground. A further 100,000 people lived in territory where radioactivity was even higher, and people in the republic were also eating contaminated crops.

Dr Zhadiro and others working on the spot consider mass evacuation from contaminated areas essential.

A recent open letter to President Mikhail Gorbachev from 92 senior Soviet scientists insisted that fears about fall-out in Belorussia were unfounded. Dr Zhadiro said none of the signatories, who came mainly from Moscow, did any sustained research in Belorussia before signing the letter.

Winds directed 70 per cent of the radioactive fall-out on to Belorussian territory, he said. His survey of the interreaction of low-level radiation on biological substances led him to predict that human cell membranes would break down, leading to immune system destruction. As a result the number of cases of sickness leading to inevitable death would sharply increase, as was now being seen in Belorussia.

The "dirty territories" account for a quarter of all arable land in Belorussia. Until 1988 the Belorussian Communist Party did not acknowledge that the republic had been affected at all.

The extent of contamination is now tacitly accepted. Belorussia last month applied for large-scale United Nations financial aid to help with a resettlement and clean-up programme. The scale of the action required puts it way beyond the republic's own means.

Dr Andrei Arkhipov, a Ukrainian delegate at the Cracow meeting, has been monitoring radiation levels in the 30km "exclusion zone" round Chernobyl. His unit tries to direct returning "self-settlers" away from the most heavily contaminated parts. The unit wants much more effective control of population movement, both inside and outside the zone. Contamination levels are not uniform, since fall-out was uneven.

Dr Arkhipov (28) has been working in the Chernobyl area since 1986. At his last physical check-up, he had 17 disorders, none alone grave enough to take him off work. He notices that he gets ill more than before, and ailments like tonsilitis last longer. But the level of radioactivity in his body is below the accepted limit of 35 rads, which he is now convinced is too high.

Ms Lubova Kovalevskaya is a journalist who was working in Pripiat, 3km from the power station, when the melt-down happened. Ever since, she has been trying to draw attention to the plight of Ukrainians who continue to live in areas designated as "safe". She told the Cracow gathering of a soaring incidence of leukaemias and immuno-deficiencies, which she calls "a sort of AIDS by contamination".

The Ukrainian parliament has called for the entire Chernobyl plant to be closed. But in view of the acute energy crisis in the western Soviet Union, closure seems unlikely in the foreseeable future.

Front leads pack in the race for power

By Owen Bennett-Jones in Bucharest

WITH LESS than six weeks to go before the elections in Romania, the various political parties are preparing feverishly for the ballot or attempting to forge alliances to avoid defeat.

Leading the field, at least in organisational terms, is the National Salvation Front, which assumed power after the violent overthrow of Nicolae Ceausescu last December.

The Front claims to have half a million members. Whatever the truth of that, hundreds of people are appearing at the party's office in the centre of Bucharest every day to sign up and join.

Officials in the Front headquarters are confident of victory, shrugging off opposition claims that they are insufficiently committed to rooting out former Communist activists.

An opinion poll, published three weeks ago in the independent newspaper Romania Libera, gave Mr Ion Iliescu, the interim President and leading figure in the Front, the backing of 38.6 per cent of the population.

Mr Radu Campeanu, the leader of the National Liberal Party and the first person to declare he will stand for the presidency, received 31.4 per cent. But the polls are not reliable and, at best, give only a general indication of the state of the parties.

More revealing is the fact that Mr Campeanu has called for an electoral pact between three of the opposition parties – his National Liberals, the National Peasants Party and the Social Democrats – a proposal that demonstrates the opposition's fear that no single party will be strong enough to take on the Front.

By going public on the issue, the National Liberals have caught their two potential partners off balance and neither party has yet responded publicly.

The coalition could take the form of the three parties presenting the electorate with a joint list of candidates for the Assembly of Deputies and for the Senate, which will be elected under the new proportional representation system.

But if the parties cannot agree to work together as closely as that, they may decide simply not to attack each other during the campaign and agree to work together after the election if they end up with more deputies overall than the Front.

That still leaves open the question of whether the parties can agree on a joint presidential candidate. By declaring himself first, Mr Campeanu has become the obvious choice. He lived in France for years, which has helped in knowing how to run a political campaign.

However, the National Salvation Front is emphasising that he spent many of the Ceausescu years abroad, aiming to benefit from the resentment in Romania towards those who came back after the revolution and who did not have to suffer the privations of life under the dictator.

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Bulgaria set for free elections

BULGARIA'S parliament, dominated by Communists, yesterday cleared the way for free elections on June 10 and 17, and appointed Mr Petar Mladenov, the reformist politician, to the new post of republican-style president, Reuter reports from Sofia.

At its last session before dissolution, parliament also voted overwhelmingly in favour of the formation of political parties to contest the elections, formally scrapping the principle of one-party rule.

The chamber erased the word "socialist" from Bulgaria's constitution and replaced it with "democratic".

WORLD TRADE NEWS

US-Japan trade talks show signs of progress

By Nancy Dunne in Washington

THE US and Japan went into a second day of trade talks yesterday, declaring "considerable progress" but that more needed doing to agree steps to rectify the stubborn $49bn trade imbalance.

Officials sought to portray the talks as historic – "the first time two countries looked together at removing domestic impediments in their economies that hinder the balance of payments adjustment process," a US official said.

The US Trade Representative's Office said both sides had reached official agreement on opening the Japanese market to foreign-made satellites, resolving, after the telecommunications products area, the second major unfair-trade charge levelled by the US. The pact would open a multi-million-dollar market to outsiders, with US space satellite makers likely to benefit.

Ironically, as the talks – the Structural Impediments Initiative – were being heralded, the yen's fall led to fears of a new flood of cheaper Japanese exports to the US.

The talks, originally scheduled for yesterday and today, could take longer. US officials said they were determined to get a "meaningful" interim report, in which each side will describe its plans for basic changes in its economy. A final report, due in July, may well include further "policy efforts".

Earlier, the US identified as targets for reform Japan's business practices that exclude foreign companies, its distribution and land-use system, and its savings, investment and pricing policies. Ideas along these lines are being considered, US officials said.

Japan has focused on deficiencies in the US education system, the US budget deficit and low savings rate. Its suggestions reportedly include limiting US consumers to two credit cards each, and a change in company reporting systems from quarterly to six-monthly.

No indications exist that the US is set to agree anything beyond steps already proposed. Many of these have been given short shrift in Congress. A family savings proposal has got nowhere, and a plan to set aside funds to pay off budget deficit interest has won little support.

Brussels at odds with Gatt over judgment

Gap remains over panel's refusal to let EC bend the rules, William Dullforce reports

THE General Agreement on Tariffs and Trade disputes panel, which ruled that the European Community's anti-dumping action against Japanese "screwdriver" assembly plants was illegal, yesterday took the extraordinary step of defending its findings in a special statement to the Gatt council.

It was responding to a no less unusual move from the Community which had contested the reasoning behind the findings in a letter to the panel, asking it to reconsider its conclusions. The panel had refused.

Yesterday, the EC complained that the panel's ruling provided governments with no guidance on how to deal with the problem of circumvention of anti-dumping duties by companies assembling products from imported components in an importing country.

This tense exchange between the Community and the three-man panel, chaired by Mr Joseph Greenwald, a former US Assistant Secretary of State, came as the Gatt council considered for the first time the 80-page report in which the panel upheld the Japanese complaint. The panel made two rulings:

● The anti-dumping duties imposed by the EC on the mainly electronic products assembled by Japanese manufacturers within the EC were inconsistent with Gatt;

● The undertaking to limit the proportion of components originating in Japan in the assembled products, which the EC required the Japanese companies to give as a condition for dropping anti-dumping proceedings, was also not justified under Gatt.

In reaching its conclusions, the panel reasoned that the anti-circumvention duties imposed by the EC were not customs duties levied at the border, but internal charges.

The duties therefore came under Gatt's Article III which

The EC complained that the Gatt panel's ruling provided governments with no guidance on how to deal with the problem of circumvention of anti-dumping duties by companies assembling products from imported components in an importing country.

stipulates that foreign manufacturers within a country must be afforded the national treatment accorded to domestic producers.

Under Article III, internal taxes cannot be applied to imported products – once they have passed the customs barrier – so as to afford protection to domestic producers.

The EC had argued that it was justified in imposing the charges by Gatt's Article XX, which lists cases in which exceptions may be permitted to Gatt rules.

One case, dubbed "non-compliance", occurs when a government finds it necessary to secure compliance with laws or regulations, not in themselves inconsistent with Gatt – for instance, in enforcing customs duties or "preventing deceptive practices".

On this point, the panel made a crucial distinction. Gatt member states could deviate from Gatt rules, if it were necessary to prevent companies from *evading* a legal obligation.

The example commonly given is if a company tries to evade an import duty by making a false customs declaration.

However, if a company took action to *avoid* a legal obligation, for instance, by transferring the production of the good on which an import duty is levied to the importing country, a government's steps to prevent this action were not covered by Article XX, the panel ruled.

Brussels argued that the panel had given excessively narrow interpretations of Gatt articles on both the internal charge and non-compliance issues.

Treating anti-dumping duties as an internal tax took no account of the complexity of customs procedures under which importation was by no means synonymous with the crossing of a geographic frontier.

By interpreting non-compliance under Article XX to refer only to obligations imposed by law or regulations and not to the objectives of such laws, the panel had implied that any governmental legislation on the evasion of taxes and customs duties might not conform with Gatt.

Answering the EC in the council yesterday, the panel said its report had carefully considered the EC argument that its anti-dumping duties had the required connection with importation because of their purpose and because collection of the duties had been assigned to customs authorities. But the panel had concluded that these factors did not create the connection.

The EC's interpretation would make it impossible to achieve Gatt's basic objective of ensuring that discrimination against products from other countries only takes the form of customs duties imposed in connection with importation, not the form of internal taxes.

Similarly, Gatt's rules would no longer be effective, if Article XX were interpreted to permit governments to act inconsistently with Gatt, to prevent "economic responses by enterprises to the incentives or disincentives created by their laws and regulations", the panel said yesterday.

In layman's language, the panel is stressing the danger of interpreting Article XX as widely as the EC wants, to allow governments to take action against perfectly legitimate commercial actions by companies.

A gap remains between the Community's assertion that the panel's ruling makes it impossible to prevent circumvention of anti-dumping duties and the panel's refusal to let the EC stretch Gatt rules, to hit Japanese companies' assembly plants within the EC.

This gap can probably only be removed by revising Gatt's current anti-dumping legislation in the Uruguay Round trade talks.

Trade officials are beginning to realise that such revision would call for a fundamental re-examination of the concepts of dumping, anti-dumping and circumvention.

French wine growers try to defuse US move to ban imports

FRENCH wine exporters yesterday sought to defuse a row with the US over Washington's move to block imports of wine containing a widely used fungicide, Reuter reports.

The French wine and spirits export federation, which represents the majority of French wine exporters, also assured American consumers that French wine was safe to drink.

It described the dispute, which flared in late March, as nothing more than "a simple administrative problem" and said it was premature to talk of US protectionism.

Exports of some French and Italian wines have been held up in Europe since Washington began asking vintners from those countries to prove their wines are free of the fungicide procymidone, also used on fruits and vegetables.

On Monday, French government officials said they feared the beginning of a new trade war with the US decision triggered by the fungicide issue.

Last year France exported FFr3bn ($525m) worth of wine to the US, about 13 per cent of French wine exports, according to the federation.

Washington, Ottawa speed up trade pact tariff cuts

By Bernard Simon in Toronto

THE US and Canada have speeded up tariff cuts under the free trade agreement (FTA) between the two countries on trade worth about C$6bn (£2.8bn) a year.

The accelerated cuts, which came into force on April 1, were a response to a torrent of requests from companies on both sides of the border that wanted a faster reduction in tariffs than the gradual process envisaged in the free trade negotiations.

The 400 items to which the cuts apply include telecommunications and photographic equipment, diesel locomotives, petrochemicals (of which methanol is of particular interest), printed circuits and aluminium products. The items represent about 3 per cent of total two-way trade.

In most of these cases, all remaining tariffs have been eliminated, but some products have been shifted from a planned elimination of duties over 10 years to the five-year schedule. The FTA, which came into force on January 1, 1989, provides for abolition of all customs duties between the US and Canada in equal stages of one, five or 10 years, depending on the product.

The Canadian government received about 1,200 applications for accelerated cuts from both importers and exporters. Only those not opposed by domestic suppliers on either side of the border were approved.

Community accused of bid to delay findings

By Tim Dickson in Brussels

THE European Community was yesterday accused of trying to delay implementation of the critical findings of an independent trade disputes panel.

Speaking at a breakfast briefing in Brussels, Mr Marlyn Jorgensen, president of the American Soybean Association (ASA), called on the EC to change its oilseeds policy in line with the panel ruling immediately, and not use the issue as a negotiating chip in the international trade talks known as the Uruguay Round.

"This is a bilateral matter between the EC and the US," he insisted.

"US farmers expect the European Commission to make an early move to meet its obligations."

Brussels officials have consistently said they will respect the findings of the Gatt panel, which broadly upheld a complaint by the US that long-standing EC payments to domestic oilseed processors are discriminatory in their present form and violate the terms of a 1962 Gatt agreement providing duty-free access to the EC market.

That accord is of vital symbolic and economic importance to the US.

Symbolically, it represents one of the few unhindered entrées to the EC's highly-protected agricultural market – "the last hole in the dyke," as Mr Kenneth Bader, the ASA's chief executive, said yesterday.

Economically, it provides a vital outlet for US farmers, an estimated $2.5bn (£1.47bn) or 17-18 per cent of total US output last year, and as much as $3.5bn, or 25 per cent of total production in the past.

The ASA's tour of Europe in recent days is intended not only to bang that drum but to try to head off the inevitable risk that its interests will be subsumed in the wider international trade negotiations due to reach a conclusion in Brussels at the end of this year.

"We don't expect to be part of the EC's re-balancing proposals for the Uruguay Round," Mr Bader emphasised yesterday, in a reference to the EC's recent offer of partial tariffication (turning variable levies into fixed tariffs) in return for permission to increase protection in some individual sectors, provided the overall subsidies trend is downwards.

"It is clear their rebalancing scheme is an oilseed scheme, it is so transparent," he said. "It is not veiled in secrecy. It would be discouraging for US farmers, though, to see an increase in curbs on soybeans when the stated goal of the Uruguay Round is to reduce distortions."

He admitted the ASA had so far been "low key" in response to the US victory in the Gatt panel and that it did not wish to "gloat". But it was time for the EC "to show good faith" and come into line with the findings.

Gatt Council puts off Soviet observer status

By William Dullforce in Geneva

THE GATT Council yesterday postponed consideration of the Soviet Union's application for observer status – the first step towards membership of the organisation governing world trade.

Mr Rubens Ricupero, Gatt Council chairman, said consultations were still going on among Gatt members on how to handle Moscow's application.

Japan is one of the countries that has asked for more time, but a senior Japanese official denied yesterday that Tokyo's reticence was connected with its unresolved dispute with Moscow over the Kurile Islands occupied by Soviet troops since the end of the Second World War.

There were no major stumbling blocks to granting the Soviet Union observer status but, like several other countries, Japan wanted a clearer definition of what observer status actually entailed, the official said.

After President George Bush had agreed to back the Soviet application at his meeting with President Mikhail Gorbachev in Malta last December, the US said Moscow should wait until the end of the Uruguay Round, which is scheduled for December.

Washington is understood to have changed its mind over the delay and to be ready to join the European Community and the majority of Gatt members, who favour immediate approval of the Soviet application.

But the US, too, seeks clarification of the concept of observership in Gatt.

● Washington is prepared to resume imports of sugar from Nicaragua. It told the Gatt Council yesterday that it would advise the new government in Managua on the ways to make an application for a quota under the Caribbean Initiative and under the US Generalised System of Preferences (GSP).

(The Generalised System of Preferences gives enhanced access for developing-country exports to industrialised countries, mainly through reduced tariff rates.)

Former President Ronald Reagan banned all imports to the US from Nicaragua in May, 1985.

Washington justified this action under a Gatt article which allows a country to protect its interests "during time of war or other emergency in international relations".

Efta to aid Yugoslavia

The six-nation European Free Trade Association (Efta) said yesterday it was setting up a $100m (£58.8m) fund to help Yugoslavia modernise its economy and transform it to a market system, Reuter reports from Geneva.

The fund would finance investment projects, particularly small and medium-sized enterprises, and aid Yugoslavia to gain access to new technologies, Efta said.

It will also help promote trade and economic relations, particularly with Efta members Austria, Finland, Iceland, Norway, Sweden and Switzerland, and finance training of managers of Yugoslav enterprises.

A decision to set up the fund was approved at a meeting in Geneva between Efta ministers and Mr Franc Horvat, Yugoslavia's Secretary for Foreign Economic Relations.

Rival phone companies join club

Competition has not worked in world market, writes Hugo Dixon

ONE might be forgiven for believing, given the free market rhetoric and practices of the US and UK governments, that international telephone services from at least those countries would be competitive.

In the US, any company is free to offer international services in competition with American Telephone & Telegraph (AT&T). In practice the only significant rivals are MCI and US Sprint. In the UK, Mercury Communications has been licensed as British Telecom's only rival for international services.

Although the prices for international calls are generally lower from the US and the UK than from other countries, the impact of competition has been marginal. The average price per minute of a call from the US dropped from $2.01 in 1980 to $1.29 in 1984 as a result of pressure from the Federal Communications Commission, before there was any competition to AT&T. According to the FCC, prices then fell only modestly to $1.18 in 1988, where they were still four times domestic long-distance prices.

"We simply have not had competition in any meaningful sense in the international arena," says Mr Bill Esrey, chief executive of US Sprint.

There are two reasons why competition in the international arena has not been effective so far. First, the new rivals are too weak by comparison with the established companies. Second, they do not really want to rock the boat and break up the cartel but prefer to become members of the club.

Freeing up the market for international services in one country has little effect unless the country at the other end of the link also frees up its market. The US Government may have allowed MCI and Sprint to offer international services, but the new competitors still have to sign operating agreements with the monopoly phone companies at the other end of the line.

In practice, the foreign phone monopolies have usually delayed and often refused to grant the new upstarts operating agreements.

"If you look at what we've had to do to get operating agreements with major phone companies, it is like pulling teeth," says Mr Esrey. "From the foreign carriers' point of view, they would rather we just went away."

Mercury has faced similar problems in getting operating agreements with its counterparts in foreign countries.

Without an agreement, the smaller rivals have to route their international traffic through their established competitors' networks. While the watchdogs in the US and the UK have forced AT&T and BT to carry their rivals' traffic, the larger groups have ended up pocketing the lion's share of the profits.

After years of lobbying, MCI and Sprint were eventually granted operating agreements by Telemex, the Mexican phone monopoly, earlier this year. Both companies estimate the agreements will save them more than $10m a year.

A further problem faced by the upstarts is that the phone monopolies in foreign countries have continued to send their return traffic back to the established operators. For example, in the six months to the end of September 1989, Mercury carried 79.1m minutes of outgoing traffic compared with 39.5m minutes of incoming traffic. During the same period, BT is thought to have been roughly in balance.

Since the return traffic is much more profitable than the outgoing traffic, the profitability of the smaller rivals has been further undercut.

These problems are starting to diminish as the new companies get more established and the foreign monopolies start signing agreements with them. However, other factors are continuing to blunt their competitive edge.

One snag is that the new rivals do not have enough international cable links. Most of the international cables have been built by the old cartel and the new operators have had to beg for space on them. Without these cable links, the upstarts have to use satellite links which are more expensive and have lower quality.

In the long term, this problem will also disappear as the new rivals build their own cables or get space on the cartel's links.

Cable and Wireless, Mercury's parent, has taken the lead in this process, building fibre-optic links between Europe and the US, and between the US and the Far East. To get permission to land the trans-Pacific cable and do business in Japan, C&W had to harness the lobbying efforts of Mrs Margaret Thatcher and President Ronald Reagan in what proved to be a bitter trade dispute in 1987.

Nevertheless, even these cables are not being used in the way they were intended. C&W was going to offer space on the transatlantic cable directly to large multi-nationals – a move which would have cut their international costs dramatically. In fact, most of the space on the cable is being bought up by other members of the club such as AT&T and BT.

"It is in the interest of the user above all to keep the Pandora's Box firmly open so that there is a genuine choice between the global facilities of the dominant carriers and an alternative set of global facilities," said Mr Jonathan Solomon, C&W director for corporate business development.

All this means that the new companies are too weak to launch an effective price war against the established operators. Because their rivals have deeper pockets, they would be gravely in danger of losing such a war.

"If the gorilla rolls over in the cage, he might accidentally squash us," says Mr Esrey.

However, it is not at all clear that the upstarts would want to provoke a price war even if they were stronger than they are. If Mercury, MCI and Sprint savagely undercut BT and AT&T, the larger companies would have to react by dropping their prices. The smaller companies might not end up with any larger market share, but the profit margins would have been squeezed.

Mercury has a particular desire not to provoke a price war, because its parent C&W runs the phone network in Hong Kong and a number of other old British colonies. The last thing that the C&W group as a whole wants is a general collapse in international phone prices.

It has therefore been more rational for the upstarts to undercut their larger rivals by a margin of only 5 to 10 per cent. This is a large enough differential for them each to win about 10 per cent of the international market, but not so great that it stings BT and AT&T into action.

In effect the new operators are thus co-opted into the cartel as junior members.

This is the second of three articles on an international telephone cartel. The first appeared on the leader page yesterday. The other will appear on this page tomorrow.

AMERICAN NEWS

Baker and Shevardnadze to discuss Lithuania crisis

By Peter Riddell and Lionel Barber in Washington

MR JAMES BAKER, the US Secretary of State, will today discuss ways of defusing the Lithuanian crisis and encouraging negotiations when he meets Mr Eduard Shevardnadze, the Soviet Foreign Minister, for three days of talks in Washington.

The US has been actively involved in the past two weeks with both the Moscow and Vilnius governments in seeking a move towards reconciliation.

These private messages have been stiffened by clear warnings that President George Bush will hold President Mikhail Gorbachev to his pledge not to use force, and of the strong domestic political reaction if there is violence.

A senior administration official said that the immediate US response could threaten the current wide-ranging arms control and bilateral trade talks.

The US has so far been careful publicly – and in President Bush's letter last Friday to Mr Gorbachev – to avoid offering specific proposals on how to achieve the US-backed goal of Lithuanian independence which would antagonise Moscow.

However, US officials are studying the reference made last week by Mr Vytautas Landsbergis, the Lithuanian leader, to the possibility of using a referendum as a way of moving towards independence. The problem is that the Vilnius government claims already to be independent, though Moscow could be more amenable to this idea because it buys time.

Mr Satsys Lozoraitis, Lithuania's chargé d'affaires in Washington, voiced opposition to the idea of a referendum as set out in the new secession law being debated in the Soviet Parliament.

"We have to win the referendum with a two-thirds majority. We have to wait five years. And then we have to win once again in the congress of the people with another two-thirds majority."

Mr Lozoraitis said everything was negotiable, except independence. "If we renounced independence before negotiations, it would be like saying you shoot yourself, you kill yourself, you commit suicide and then come and talk with us. We can't do that."

US officials are also studying Estonia's move towards independence.

The Lithuanian crisis is overshadowing the talks which are intended as preliminary to the Washington Bush/Gorbachev summit planned for June.

The agenda for the two foreign ministers includes strategic, conventional and chemical arms control talks as well as trade and investment treaties.

Senior US officials say there have been signs that the Soviet Union has been "dragging its feet" over arms control because of internal preoccupations. There remains uncertainty over the date of the summit.

Congress lags in budget manoeuvring

By Anthony Harris in Washington

The House budget committee is not likely to devise a budget resolution in time to meet its deadline of April 15, according to the House Speaker, Mr Thomas Foley.

Mr Foley blamed lack of leadership from the White House. "Agreement isn't easy if the President stands on the sidelines," he said. While Congress routinely misses its Spring budget deadline, the discussion is unusually open-ended this year.

The White House has challenged Congress to produce a package to avoid automatic programme cuts under the Gramm-Rudman law, while indicating that a package including some tax increases might be acceptable. Various proposals for tax changes and a spending freeze have been floated in both Houses.

The difficulty of finding any common ground is highlighted in the annual report of the Joint Economic Committee of Congress (JEC) published yesterday.

This has a bipartisan section stating the case for cutting the deficit and raising national savings, but separate and incompatible Democratic and Republican proposals for achieving this aim. "We cannot allow ourselves to be paralysed by the current budget situation," the report said.

Both sides are now agreed that growth is slow but sustained, but that progress towards balance is even slower. The slow growth rate was presented as a merit by Mr John Niehuss, a US Treasury official. Speaking at the annual meeting of the Inter-American Development Bank in Montreal, he said that the US economy "continues on a balanced, moderate course" which creates the environment for lower interest rates.

● The official Index of Leading Indicators fell by a full percentage point in February, more than offsetting a rise in the previous two months, the Commerce Department announced yesterday. The change is almost entirely due to the slowdown in housebuilding, and was already discounted in the markets.

Chile faces heavy foreign debt repayments burden

By Stephen Fidler in Montreal

CHILE'S new coalition government will run into a heavy repayments burden on its foreign debt next year and is likely to seek a rescheduling, according to senior Chilean officials. It has also embarked on early talks in an attempt to seek new funds from commercial banks and other sources, requests that have met an initial sympathetic response.

Colombia, one of only three big economies – with Chile and Mexico – never to have interrupted foreign debt repayments, also presented tentative proposals to banks, led by Chemical Bank, yesterday to refinance $1.2bn of principal repayments coming due in 1991-92.

According to Mr Alejandro Foxley, Chile's Minister of Finance, in Montreal for the Inter-American Development Bank annual meeting, Chile faces a relatively modest repayments schedule in 1990, where it has to repay $700m in principal and an estimated $1.8bn in interest. But in the three years from 1991, principal repayments rise to $1.8bn annually, leaving an annual debt servicing burden in excess of 15 per cent of GNP.

Chile's foreign debt, which has fallen significantly over the last few years, stands at about $16.5bn, of which about $7.5bn is medium and long-term debt to commercial banks and up to $3bn is in short-term bank credit lines.

Mr Foxley said the country would continue a co-operative approach to foreign creditors, and was discussing the possibilities of some fresh bank loans, and co-financing possibilities with the World Bank and IADB.

The country's exports amount to about $8bn last year, and its trade surplus was $1.1bn. A rise in copper prices will help its trade position this year. Mr Foxley said the Chilean economy had to be cooled from the 9.8 per cent growth rate it enjoyed last year.

Jury told of Marcos 'piggy bank' fraud

THE PROSECUTOR in the racketeering trial of former Philippines first lady Imelda Marcos said yesterday that the former beauty queen plundered her country and used a branch of its main bank in New York as a "personal piggy bank," Reuter reports from New York.

In opening statements in the trial, US assistant attorney Debra Livingston said the case involved $140m of stolen money illegally brought to the US to buy four Manhattan buildings. "This is a case of theft, fraud and deceit on an incredible scale," Ms Livingston told a packed US district court.

"She cracked it (the bank) open and had bundles of cash delivered to her so that she could buy artworks and jewels," Ms Livingston said.

Mrs Marcos, who denies the allegations, faces four counts of racketeering, fraud and obstruction of justice which could get her 50 years in jail if she is convicted.

Puerto Rico faces a $4bn question

Welfare transfers from US will be central to referendum outcome, writes Canute James

AT THE end of a recent function in San Juan organised by the Puerto Rican anti-apartheid committee to mark Namibia's independence,the refrain "Long live a free Namibia" was followed by "Long live free Puerto Rico." Said one of the organisers from the podium: "It took Namibia a long time, but now independence is a fact. Next is Puerto Rico."

Despite the enthusiasm of the advocates of Puerto Rican independence, such sentiments carry little weight in the debate on the future political state of the US Caribbean possession. The island's 3.3m people are preparing for a referendum, for which no date has yet been set, in which most appear willing to consider two options – either a continuation of the present quasi-colonial ties with the US, or becoming a state of the Union.

In hearings held in San Juan and Washington in the past few months, it has become increasingly clear that the issue is turning on the economic implications, more specifically, whether a change of status will leave Puerto Ricans better or worse off.

It is not surprising that the issue of federal economic support, through welfare funds and tax credits for US companies operating on the island, is central to the debate. Since 1952 the island has enjoyed an ambiguous Commonwealth status with the US, and is described officially as a "free associated state".

Puerto Ricans are US citizens, but cannot vote for a president. The island's representation in Washington is limited to a commissioner who has no vote to influence legislation. The island, however,

benefits from almost $4bn a year in federal welfare transfers from Washington, and from clauses in the US Revenue Code which allow companies investing on the island to get tax breaks on their profits if these are invested in Puerto Rican banks. This facility, Section 936 of the Code, has provided a basis for rapid industrialisation which, in turn, has contributed to a per capita income of just more than $5,000, much higher than that of Puerto Rico's immediate neighbours in the Caribbean.

Mr Rafael Hernández Colon, Puerto Rico's governor, wants the debate on status ended by the referendum, but is hoping that his Popular Democratic Party will be able to sway voters towards maintaining the present status.

Even the supporters of a change to statehood, which is advocated by the opposition New Progressive Party, are wary that a political change could disrupt the island's economy. Like the supporters of the status quo, the pro-statehood lobby sees federal benefits, such as Section 936 of the Revenue Code, as being important. They accept the argument that this facility could not be continued if Puerto Rico became a state, but are suggesting that it be phased out over a decade, giving the economy time to adjust.

Mr Baltasar Corrada del Rio, the NPP's unsuccessful gubernatorial candidate two years ago, attacked the arguments that continued Commonwealth status would ensure flows of funds from Washington to the island. The cost of a change to statehood, he maintained, can be handled by Puerto Rico as a state of the Union, and that this form of federal support should not be extended to a commonwealth "beggar state". "Would President Lincoln have opposed the abolition of slavery because . . . it was said that the price was too high?" he asked.

There are signs, however, that business interest in Puerto Rico is being affected by the impending vote, and that the island's efforts to get closer to its Caribbean neighbours are being delayed. "The status issue is having a negative effect because the present benefits under Section 936 are the result of our special relationship with the US," said Mr Alfredo Salazar, head of the island's Economic Development Administration. "If we change status then the rules will have to be redefined, federal taxes will be applied and Section 936 phased out. This uncertainty is having an effect on investors because they need to know the rules before they commit themselves. There have been specific cases where we have been told to come back after the plebiscite."

The impending vote is also affecting Puerto Rico's attempt to establish firmer relations with its Caribbean neighbours, through an application for observer status in the Caribbean Economic Community.

There are, however, several outstanding matters yet to be determined by the time the referendum is held. One is whether the US Congress will allow itself to be automatically bound by the result. The Congress is divided on this, but given Puerto Rico's strategic value – it is home to a major naval base – congressmen are likely to want the option of rejecting the result in the unlikely event that the supporters of political independence carry the day.

A bill presented to the US Senate says a simple (50 per cent plus one) majority can decide the issue. Governor Hernandez Colon, however, is arguing that this should be required only to maintain the current status, while a 66 per cent or 75 per cent majority would be needed to change the island's status.

There is also some uncertainty when the referendum will be held. While Puerto Ricans are hoping that the vote will be taken next year, it now appears unlikely that legislators will get around to approving the plebiscite before the end of this year.

El Salvador guerrillas unveil peace plan

EL SALVADOR'S Farabundo Marti Liberation Front (FMLN) guerrillas are to present a peace initiative to the government of President Alfredo Cristiani at bilateral negotiations due in Geneva today, Tim Coone reports from Managua.

The guerrilla proposal calls for a plebiscite on constitutional reform to be held under international supervision at the same time as National Assembly elections next year. The reforms would allow for an increase in the number of deputies in the National Assembly and boost voter registration. In presidential elections last year less than half the population eligible to vote registered. The FMLN promises to support a registration campaign in time for the 1991 elections.

"The FMLN is prepared to reach agreements on these issues and to simultaneously take steps to de-escalate the war, come to an end of hostilities, and to reach an agreement on the end of the war and to re-incorporate our forces into political life," it says.

The Geneva talks are to take place in the presence of Mr Javier Perez de Cuellar, UN Secretary-General, but will not be attended by President Cristiani who is sending his Justice Minister as head of the government delegation.

Details of the guerrillas' proposal were released yesterday at the Central American presidential summit at the Montelimar beach resort in Nicaragua.

The main theme of the Montelimar summit is the demobilisation of the US-backed Contra guerrillas who, under cover of a ceasefire, are flooding back into Nicaragua from Honduras.

CONTRACTS & TENDERS

Invitation to Tender
Issued By The Guyana Sugar Corporation Ltd
For A Project To Be Financed
By The
Inter-American Development Bank
Loan Contract No: 154/IC-GY
Supply of Spares For Sugar Factory Equipment.

Tenders are hereby invited from suppliers for the provision of factory spares to be acquired under an industrial re-activation loan programme. The Inter-American Development Bank (IDB) is partially funding this rehabilitation programme through LO - 154/IC-GY. Eligibility with respect to origin of goods and services will be determined pursuant to the rules applicable for the use of the fund.

Tenders are invited from firms which are from regional or non-regional member countries of the IADB for the supply of the following spares which are in the groups indicated in the correspondence documents.

Contracts would be let following international competitive bidding by The Guyana Sugar Corporation Limited through The Central Tender Board Committee of Ministry of Finance.

FACTORY SPARES

Group A Mills
Specification contained in the tender document permit offers of spares which have similar characteristics and provide equal performance and quality to those stated.

Tender documents can be obtained from the office of C. Czarnikow Inc., 75 Wall Street, New York, NY 10005, United States of America or The Guyana Sugar Corporation Limited, at the appropriate address below, against a non-reimbursable payment of 500 Guyana Dollars or equivalent in foreign exchange by crossed cheque in favour of The Guyana Sugar Corporation Limited.
The tenderer shall furnish as part of his tender, a tender bond in favour of The Chairman, Guyana Sugar Corporation Limited in the value of 5% of the CIF tender price.

Tenders shall be in English, submitted in duplicate, and delivered in Plain sealed envelopes, which in no way identify the tender, to The Chairman of The Central Tender Board Committee at the appropriate address below. Tenders close at 14:00 hours local time on the 20th June, 1990. Tenderers or representatives may be present at the opening of the tenders.

The Chairman
Central Tender Board Committee
Rehabilitation of Sugar Factories
Industrial Reactivation Loan Programme
c/o

The Ministry of Finance
Main & Urquhart Streets
Georgetown
Guyana

Mr. E.O.S. Hanoman
Finance Director
Guyana Sugar Corporation
22 Church Street
Georgetown
Guyana

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LEGAL NOTICES

GREAVES OPTICAL SERVICES LIMITED IN RECEIVERSHIP

NOTICE IS HEREBY GIVEN, pursuant to Section 48 of the Insolvency Act 1986, that a MEETING of the CREDITORS of the above named company will be held at the Grand Hotel, Colmore Row, Birmingham on 20 April 1990 at 11.00 am for the purposes of having laid before it the report prepared by the joint Administrative Receivers in accordance with the said section and, if thought fit, appointing a Committee.
Creditors whose claims are wholly secured are not entitled to attend or vote at the meeting. Creditors who are partly secured may only vote in respect of the balance of the amount due to them. A creditor in respect of a debt due on, or secured by, a bill of exchange or promissory note must treat the liability of any person who is liable on the bill antecedently to the company as a security held by him (unless that order person is subject to a bankruptcy order or in liquidation).
Creditors wishing to vote at the meeting must lodge a written statement of their claims with us at Cork Gully, 43 Temple Row Birmingham, B2 5JT no later than 12 noon on 19 April 1990. Forms of proxy which, if intended to be used, must also be lodged with us by that time.

DATED this 28 day of March 1990

John F Powell
Joint Administrative Receiver

SWEDEN

The Financial Times proposes to publish a Survey on the above on

July 4th 1990

For a full editorial synopsis and advertisement details, please contact:

Chris Schaanning or Gillian King

on 01-873 3000 or write to him/her at:

Number One, Southwark Bridge London SE1 9HL

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Tel: 584 7566/581 1529 Fax: 584 3843 (2 mins. from Harrods).

OVERSEAS NEWS

Israeli satellite launch illustrates lead over Iraqis

By Hugh Carnegy in Jerusalem

ISRAEL yesterday launched its second satellite into orbit, underscoring its advanced rocket and space capabilities the day after President Saddam Hussein threatened to destroy half the country if Israel attacked Iraq.

Israeli officials said the launch of Ofek-2 had been planned well in advance of President Saddam's statement. But the timing – and lack of any decision to delay – highlighted Israel's determination to maintain a technological lead over Iraq, despite Baghdad's recent efforts to acquire a range of sophisticated conventional and non-conventional weapons.

The launch of Ofek-2, which officials said was safely in orbit and functioning as planned, followed the successful four-month flight in late 1988 of Ofek-1, a test satellite which was the first in a three-stage programme to give Israel independent space communications and surveillance capability. Officials denied widespread reports that Ofek-2, designed to stay in low orbit, was capable of spying on Israel's Arab neighbours.

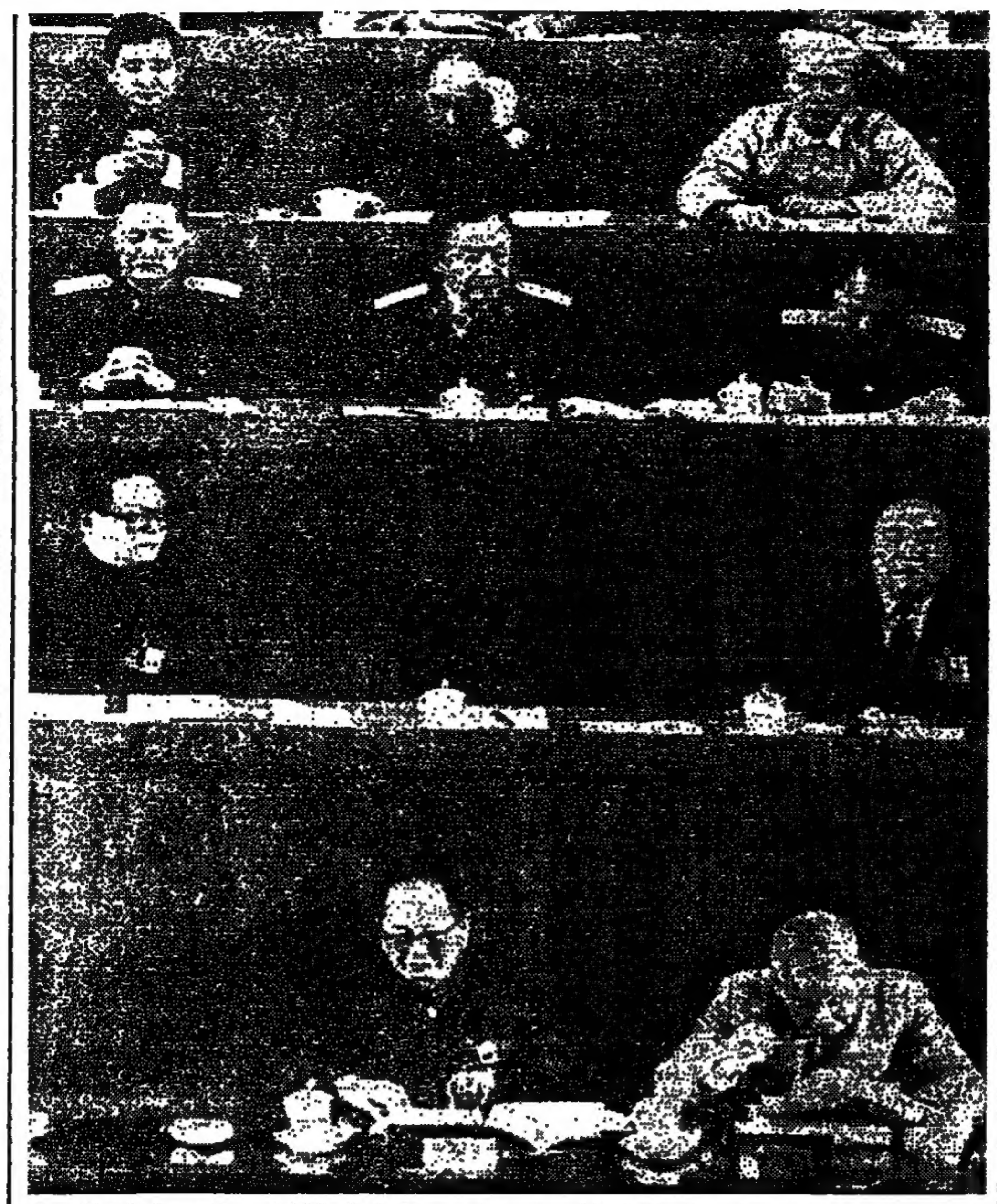
Mr Yitzhak Shamir, the Israeli Prime Minister, said Ofek-2 placed Israel at the forefront of the scientific and technological world. "Our strength depends on the initiative, the scientific capacity and the execution ability expressed in the launching of the second Israeli satellite," he said.

He avoided any direct reference to President Saddam, who coupled his threat on Monday with the disclosure that Iraq possessed binary chemical weapons matched only by those held by the US and the Soviet Union. His announcement, accusing Israel, Britain and the US of plotting against his country, followed the disclosure that nuclear triggering devices bound for Iraq had been intercepted in London.

Yesterday, tens of thousands of Iraqis demonstrated in Baghdad in support of President Saddam's speech. There were also numerous expressions of support for his stance from officials and newspapers around the Arab world.

However, his speech reinforced concern in Israel and Western capitals over Iraq's nuclear, chemical and conventional weapons programmes. Iran, at war with Iraq from 1980 to 1988, also expressed concern. Last December, Baghdad announced it had launched its first three-stage space rocket. Although it was not clear how successful this was, Iraq thus became the only Middle East country apart from Israel with a space programme.

Ofek-2 was launched westwards over the Mediterranean Sea in mid-afternoon. The world's other seven space nations fire their rockets eastwards, with the spin of the earth, but Israel has overcome power drain stemming from launching east-to-west to avoid firing over Jordan and Iraq.



Jiang Zemin (second row left) looks to the empty seat on his right where Deng Xiaoping used to sit

China pushes for influence over Hong Kong projects

By John Elliott in Hong Kong

CHINA has ordered an urgent report on Hong Kong's proposed HK$127bn (£10bn) airport and container port developments because it is concerned about the political and financial implications of the massive projects, which will not begin to come into use until 1997 when the British colony returns to Peking's sovereignty.

The Xinhua News Agency, Peking's de facto embassy in Hong Kong, has formally asked the colony's Government to provide facts to support its decision, made late last year, to go ahead with the various projects.

The agency is also consulting other experts in Hong Kong before it sends its report to Peking.

This has forced the Hong Kong Government to abandon its earlier insistence that there was no need to consult Peking because the territory is currently under British sovereignty and has been promised a high degree of autonomy in economic and other matters after 1997.

The situation illustrates the growing influence that Peking will be able to exercise in Hong Kong as 1997 approaches.

It also shows how it will be possible after 1997 for Peking's bureaucracy to continue to interfere. Hong Kong hopes banks and other private sector sources will provide between 40 and 60 per cent of the cost, which is expected to be far in excess of the HK$127bn estimate.

But the willingness of international institutions to take part would be put at risk if provocative comments, mainly concerning the high cost, issued in the past months by Li Peng, the Chinese Prime Minister, and other leaders are not halted.

The plans were announced last October, after years of agonising about a replacement for the colony's overcrowded Kai Tak airport. They were part of a series of measures to try to restore confidence after last June's Tiananmen Square crisis.

The other measures, all attacked by Peking, included introduction of a Bill of Rights and a highly controversial British passports package (which is being announced in detail this week), plus attempts to speed up democratic reform.

China initially accused the UK of saddling Hong Kong with mountains of debt after 1997 for which it would then have no responsibility. Some Chinese leaders questioned whether this was part of an intentionally disruptive British plot.

It is expected that the airport will eventually go ahead. China's main questions now are whether the full plan is needed and whether the airport must be sited on expensive reclaimed land off Lantau Island at a budgeted cost of HK$35bn, plus extensive HK$27bn road and rail links.

The links would include the world's largest suspension bridge, estimated to cost HK$6.5bn, whose financial viability as a private-sector toll operation is being separately questioned by Hong Kong and international specialists.

Backed by some Hong Kong industrialists, China is suggesting that the airport could be built more cheaply on the mainland, for example in its adjacent special economic zone of Shenzhen where it is building a domestic airport.

Hong Kong abandoned the idea of a joint airport with China some years ago, mainly because it could endanger sovereignty rights which give the colony's Cathay Pacific Airways international air traffic routes.

Scheme to ease traffic in S Korea

By John Ridding in Seoul

SOUTH KOREA is to launch an ambitious 10-year transport project aimed at alleviating the traffic burden in cities, the Transport Ministry said yesterday.

The project, which will cost an estimated won 27 trillion (million million, £23.3bn) includes the construction of new underground railway lines in the six largest cities and several new motorways. Foreign participation in the scheme is expected to be limited to technical assistance, although part of the financing may come from overseas borrowings.

According to the Ministry of Transport, a total of about 320 miles of underground lines will be built in the six cities. At present only Seoul and Pusan, South Korea's two largest cities, have underground systems. In addition, two circular roads will be built around Seoul and a new motorway will be built linking the capital and Inchon, the second-largest port.

According to the Transport Ministry, underground systems will cater for half of Seoul's transport demand and 40 per cent of Pusan's demand by the year 2001. Currently, the Seoul and Pusan undergrounds meet 18.5 per cent and 6.5 per cent respectively of the two cities' transport demand.

About 43 per cent of the total budget will be spent on construction of the underground systems and about 20 per cent on the expansion of roads in the area of the capital. Local councils will provide won 15.5 trillion of the funds, with the balance supplied by the central government.

The bulk of the funds will come from tax revenues. But finance will also be raised from overseas bond issues, increased traffic penalty fines and a tax on imported car components.

In addition to improving the transport infrastructure, the Government is to stagger working hours of government officials and employees of state-run enterprises and banking institutions. This measure, to be implemented from September, is aimed at easing rush-hour congestion.

Hawke cabinet is named as opposition chooses new leader

THE LABOR Prime Minister, Mr Bob Hawke, made eight personnel changes in his Cabinet yesterday as the defeated Australian opposition chose a new leader, Reuter reports from Canberra.

Mr Hawke said he had assembled a vibrant new Cabinet to tackle the tough economic times that lie ahead. The appointments follow the Labor Party's re-election on March 24 to a record fourth successive three-year term.

The defeated conservative Liberal party, out of government since 1983, chose an economist, Mr John Hewson, to take over from Mr Andrew Peacock as leader in an effort to loosen Labor's grip on power.

"We consider today is the first day of our campaign to win the next election. We recognise the magnitude of that task but we welcome the challenge," Mr Hewson, 43, said. His deputy is the opposition's education spokesman, Mr Peter Reith.

Changes in Mr Hawke's Government, which has an eight-seat absolute majority in the House of Representatives (lower house), include giving Treasurer, Mr Paul Keating, the additional ceremonial post of deputy Prime Minister.

This confirms him as the main potential successor to Mr Hawke, who has led the party for seven years. Mr Ralph Willis becomes Finance Minister, his old post of Transport and Communications going to Mr Kim Beazley, who in turn passes the Defence portfolio to Mr Robert Ray. Mr Ray's old job as Immigration Minister goes to Mr Gerry Hand.

The important role of Environment Minister goes to Ms Ros Kelly, the only woman in the Hawke Government, which conceded it scraped into power largely with the help of green votes. One of the most interesting moves was the elevation of Mr Simon Crean to Minister for Science and Technology.

Mr Crean was the former head of the Australian Council of Trade Unions, a position once held by Mr Hawke, and has not sat in Parliament before. The Prime Minister described his new team as "one which has a great deal of vibrant new talent".

Mr Hawke, whose Finance Minister, Mr Peter Walsh, resigned on Monday after warning Australia was in grave economic trouble, yesterday described Mr Walsh's comments as exaggerated.

But he added: "We haven't got easy street coming up. I think we've got the prospect of great avenues opening up. But they are not going to happen by assuming, as Australia has too often tended to assume in the past, that 'she'll be right, mate'." At the end of a week of vote-counting Labor has 78 seats in the 148-seat House of Representatives and the Liberal/National Party coalition 69. There is one independent.

John Hewson: taking over from Andrew Peacock

Bob Hawke: putting a leaner, younger team in place

Phalange leader recognises Hrawi

By Lara Marlowe in Beirut

MR Samir Geagea, the leader of the Christian Lebanese Phalange militia, yesterday for the first time gave his allegiance to the country's Syrian-backed president in an effort to win support in his war for the Christian enclave.

Mr Geagea, whose militia has been fighting forces loyal to General Michel Aoun for two months, yesterday also implicitly accepted an Arab-sponsored peace pact, the Taif accord, to end Lebanon's civil war.

"A solution in Lebanon lies in the recognition of President Hrawi as head of state and in considering the Taif agreement as a gateway to a solution," Mr Geagea told a Lebanese Communist radio station.

The statements drew a vehement response from Gen Aoun and there are fears of a renewed outbreak of fierce fighting between the Christian forces. Both Mr Geagea's and Gen Aoun's forces are reported to be building up their strength along front lines in Beirut and the Kesrouan and Metn hills to the north-east.

Since the inter-Christian war began more than two months ago Gen Aoun has insisted that Mr Geagea take a clear stand against the Taif pact.

The inter-Christian war, in which nearly 900 people have been killed, broke out at the end of January when Gen Aoun ordered Mr Geagea's Phalange to disband and demanded that Mr Geagea reject the Taif pact.

Gen Aoun, who refuses to recognise President Hrawi, opposes the Taif accord signed by Lebanese deputies because it makes no provision for withdrawal of all 40,000 Syrian troops from Lebanon. Gen Geagea's remarks are an implicit appeal to President Hrawi to back him against Gen Aoun.

Jiang Zemin edges closer to supreme power in Peking

THE CHINESE Communist Party chief, Jiang Zemin, was named to a top military post yesterday, putting him up one more rung in his climb to power, AP reports from Peking.

The National People's Congress, as expected, picked Jiang as the new chairman of the state central military commission, replacing senior leader, Deng Xiaoping. The congress, China's parliament, last week accepted Deng's resignation from the post, his last official government position.

Jiang, Deng's hand-picked successor, last November succeeded Deng as head of the party central military commission, a key policy-making body with nearly the same membership as the state group.

The military has played an increasingly central political role in China since it was called in to crush the pro-democracy movement in Peking last June, and Jiang's appointment to the two posts is critical to his staying power as a leader. Jiang, a relatively unknown party boss in Shanghai, was named to head the 48m-member party last June after Zhao Ziyang was purged for allegedly supporting the pro-democracy movement.

Jiang, 63, has no political power base in Peking and since June has loyally supported the hardline policies espoused by retired but still powerful party elders such as Deng.

Jiang has no experience in military affairs, and the People's Liberation Army remains dominated by old revolutionaries such as President Yang Shangkun, 82, a general who last November was named first vice-chairman of the party central military commission.

Mandela endorses plan to stem unrest but criticises police bias

By Patti Waldmeir in Pietermaritzburg

MR NELSON Mandela, deputy president of the African National Congress (ANC), yesterday welcomed strong new security measures introduced on Monday by the South African Government, but condemned the country's police force for bias against the ANC.

Addressing a press conference at the end of a two-day tour of the devastated black townships near Pietermaritzburg in Natal, Mr Mandela saved his strongest condemnation for Mr Adriaan Vlok, the Minister of Law and Order.

Mr Vlok, he said, had no sympathy for black aspirations, and headed a police force which sided openly with the ANC's opponents in the factional battles which have plagued Natal's black townships for the past three years.

Mr Mandela would not comment on specific measures adopted on Monday – including increased troop presence in Natal, and more roadblocks and patrols in black townships elsewhere – but said he welcomed this evidence that the Government was trying to end violence.

Last weekend, the ANC announced it was postponing its first ever formal talks with Pretoria in protest at recent police action. Mr Mandela said he would be proposing measures to end township violence when he meets Mr F W de Klerk, the President, tomorrow in Cape Town. He hoped that meeting, which has been described as "informal", would help create a situation in which the ANC and Pretoria could sit down "soon" for formal talks.

He argued that "something drastic must be done" to change the attitude of police, who he said were working to "destroy members of an organisation (the ANC) which they consider a threat to white minority rule in this country".

If the Government allowed police to continue "shooting people like flies" then it could not expect the ANC to come to the negotiating table, he said.

Earlier in the day, Mr Mandela had visited the scene of a battle in which two people had died and 15 houses had been destroyed. He said he believed reports from local residents that police had been involved in the fighting on the side of the Zulu Inkatha movement, headed by Chief Mangosuthu Buthelezi.

At least 70 people have died in the past 10 days in fighting between Inkatha supporters and supporters of the ANC in the townships around Pietermaritzburg. The vast majority of the casualties have been from the ANC side.

Mr Mandela was careful not to condemn Chief Buthelezi yesterday, stressing that he wished to meet him when conditions were right.

NEWS IN BRIEF

Sikh extremist bombing leaves 32 dead in Punjab

At least 32 people were killed yesterday when a bomb which police suspect was planted by Sikh separatists exploded near a Hindu religious procession in north India's Punjab state, Reuter reports from Batala, India.

Police said about 50 people were also injured in the bombing in the industrial town of Batala, 25 miles north of Amritsar, the Sikh holy city. The authorities imposed a curfew in Batala after the bombing sparked off clashes between Hindus and Sikhs. More than 670 people have died in the Sikh separatist campaign this year.

Witnesses said a procession of 14,000 Hindus, celebrating the birthday of their deity Rama, had reached a crowded vegetable market in Batala when the bomb went off on a bicycle. Police said the blast was almost certainly the work of the Khalistan Commando Force, Babbar Khalsa and the Khalistan Liberation Force – a powerful new coalition of extremist groups fighting for an independent homeland.

Delhi asks for Bofors documents

India has demanded to see unpublished Swedish documents and question officials on claims that the weapons maker, AB Bofors, bribed Indian officials to secure a lucrative 1986 arms deal, the Foreign Ministry said yesterday, Reuter reports from Stockholm.

Ms Anita Matejovsky, Ministry spokeswoman, said the demands were expressed in a diplomatic note presented by an Indian delegation on Monday. The Indian Government alleges that Bofors paid $40m (£24.5m) in bribes to members of the former Congress Party administration of Mr Rajiv Gandhi in order to win a $1.3bn artillery contract in 1986. Several unidentified Indian officials were charged in connection with the case in January.

Sweden has already turned down an Indian request to see an unpublished 1987 Audit Bureau report on the Bofors allegations.

Five killed in Nepal protests

At least five people were shot dead and 27 were injured on Monday during a demonstration for multi-party democracy in the Himalayan kingdom of Nepal, hospital sources said, Reuter reports from Kathmandu.

Witnesses said police began firing on a crowd of several thousand people near Tribuhavan University. The crowd had gathered to protest against a crackdown on the pro-democracy campaign.

At least 19 people have died since mid-February when the campaign was launched by banned political parties grouped under Movement for the Restoration of Democracy.

Four people were killed in the demonstration near the university and a fifth was killed when police fired on another crowd in central Kathmandu, witnesses and hospital sources said.

Cambodian guerrillas in retreat

Cambodian troops launched a fresh offensive against guerrilla positions yesterday and forced one non-communist group to abandon an important stronghold, Thai officials and guerrillas said, Reuter reports from Bangkok. An official of the Khmer People's National Liberation Front said it had pulled its men out of Thmar Puok to avoid casualties after an artillery barrage. Thmar Puok was used as an administrative centre for parts of north-western Cambodia captured by guerrillas in an offensive last year.

'New-look' Oman prepares to sweep its own streets

In Muscat the talk is all about 'diversification', 'opening up', and 'Omanisation', writes Victor Mallet

THE Anglophile Sultan Qaboos bin Said Al-Said of Oman runs his country with a British sort of military efficiency which is not apparent in Britain itself. Men with brooms keep the main roads immaculately clean, unsightly air conditioners and water tanks poking out of Muscat's houses are tastefully disguised by regulation wooden screens, and policemen are treated with profound respect.

As if this were not enough, the prudently-managed Omani economy – after a combination of spending cuts, foreign borrowing and reserve drawdowns – is emerging in good shape from the recession caused by the oil price crash of 1986. Inflation is close to zero, debt service as a proportion of exports is between 15 and 20 per cent and reserves are once again being replenished from oil revenues. With the oil price firm, last year's projected budget deficit has disappeared and external debt is expected to start decreasing.

Oman's cautious policies all add up, one might think, to a successful recipe that requires no adjustment, but Omanis talk incessantly about "diversification", "opening up" and what Mr Abdul-Aziz bin Mohammed al-Rowas, the Information Minister, calls "a new look for the 1990s".

The problems may be invisible, but the Sultan is aware that they are only just over the horizon: first, Oman has until now depended on oil for its well-being and does not have large oil or gas reserves; second, the men sweeping the dust off the roads are imported Indian labourers who must eventually be replaced by the fast-growing Omani population of 1.3m if unemployment is to be avoided.

This second problem is shared by all the Arab Gulf states, and they have all attempted to persuade their own pampered citizens to replace foreigners, even in menial jobs. In Kuwait, it is called Kuwaitisation; in Oman, Omanisation. "This must include simple manual employment," said Sultan Qaboos in a recent speech to mark Oman's national day and his 49th birthday. "We must tolerate no obstacles to achieving these objectives."

Oman has several advantages in the current period of transition, including an early start in analysing potential difficulties, a trading and mining history which predates the discovery of oil by several millenia, and an intensive programme of exploration and development to prolong its oil and gas output into the 21st century.

No-one, however, is underestimating the task ahead. Even if the economy grows at the predicted four per cent this year, there are unlikely to be more than 3,000 jobs for the country's 17,000 school leavers, and half the population is still under 15. Expatriates make up two-fifths of the labour force, cost US$1bn in remittances

Imported Indian labourers will eventually have to be replaced by the fast-growing Omani population if unemployment is to be avoided

each year, and have actually increased in number in the private sector to more than 280,000 over the past few months.

Having rapidly established a modern infrastructure in the 20 years since Sultan Qaboos overthrew his father, Oman is now trying to deal with the fact that more than 90 per cent of its export earnings come from oil and that agriculture and industry together account for only a minute proportion of gross domestic product.

"For the next 10 years our objective is to increase investment in these productive sectors so that their contribution to GDP grows at an annual rate of 10 to 11 per cent," says Mr Mohammed bin Musa al-Yousef, who is responsible for capital spending.

To this end the Sultanate has signalled its intention to be more flexible about the rules restricting foreign investment. "We say there is no need to insist on a 51 per cent Omani majority stake. It can be less if it's in the country's interest," says Mr al-Yousef.

Oman has also subsidised local private sector investments and promoted joint stock companies in an effort to mobilise Omani savings (a stock market opened in Muscat last year), as well as commissioning a series of feasibility studies on the economy.

Omani industry, centred on the light industrial area at Rusayl near Muscat, has already registered some small export successes, mainly in the Gulf, with products ranging from detergents and biscuits to abrasives and paints.

Iran, for example, is buying some $350,000 of black cloth for womens' veils from Oman Textile Mills, and Oman's even-handed regional foreign policy may contribute to a further expansion of trade with Tehran. There are also plans to increase exploitation of Omani minerals, which include copper and marble.

Subsistence agriculture provides a livelihood for two thirds of the local population but remains severely constrained by water shortages and increasing water salinity in the Batinah, the main farming area on the coastal plain.

Fishing is a much more hopeful sector. "Three years ago our fish exports were worth only 5m Omani riyals (£8.3m), but last year the figure was OR21m," says Mr Maqbool bin Ali Sultan, President of the Chamber of Commerce and Industry.

Tourism, another emerging phenomenon in the hitherto closed societies of the Gulf, is also being promoted by the Omani authorities, although the government remains cautious about any rapid expansion of the trade because of the limited tourist infrastructure and the Islamic sensitivities of the population; elderly Swiss couples are the preferred customers.

Diversification and Omanisation are Oman's obsessions, the Muscat "buzz words" for 1990. Tourism, fish, and veils for Iran are a small beginning, but a beginning none the less.

UK NEWS

Edmonds signals union links for 1992

By Michael Smith, Labour Correspondent

MR JOHN EDMONDS, general secretary of the GMB general workers' union, said yesterday that his union would be linked to at least six European trade unions through cross-frontier amalgamations and deals by the end of the decade.

His comments – together with a weekend speech by Mr Ron Todd, general secretary of the TGWU general workers' union, in which he called for closer liaison with European unions – demonstrate the increasing attention that unions are paying to the 1992 implementation of a single European market.

Mr Edmonds, speaking at a conference of the Newspaper Society in Torbay, said the GMB had targeted both private and public sector unions across the European Community. It had started discussions at national officer level.

"Trade unions know, even if Mrs Thatcher refuses to believe it, that more and more decisions are going to be made in Brussels. Although the British Government has abdicated its responsibility on health and safety, taxation and industrial standards, we will not.

"GMB members work for companies that are developing European-wide strategies for the internal market. It is vital that we do the same.

"By the mid–1990s there will be four or five "super unions" in Britain. Their future will depend on close co-operation with their continental colleagues."

Mr Edmonds said that discussions already initiated by the GMB would lead to a linking arrangement with one leading European union within three years. The GMB was also holding talks to set up an office in Brussels.

In his weekend speech, Mr Todd stressed the "importance of of close working relations with workers and unions in other countries often in the same multinational enterprises. While it may not be practical to think of a combined European pay claim, because of differences in inflation rates and currency movements we can, and are, building on the links that exist.

"A key area for all trade unionists is discussions on investment where there has long been potential for multinationals to play workers and government off against each other." Mr Todd was speaking at a seminar involving the MSF general technical union and France's General Confederation of Labour.

Unesco reforms 'do not justify' UK membership

By Robert Mauthner, Diplomatic Correspondent

THE UK yesterday formally announced that, after a thorough review of British membership of the United Nations Educational, Scientific and Cultural Organisation, the Government had decided not to rejoin the organisation, which it left in December 1985.

Mr Tim Sainsbury, the Parliamentary Under-Secretary for Foreign Affairs, said in a written parliamentary reply that, while there had been improvements in the running of Unesco over the past few years, these had not been sufficient to justify renewed membership.

As recommended by the Foreign Affairs Committee, Britain would continue to keep the situation under review and maintain its observer status at Unesco. It would also continue to participate in the Unesco programmes in which it was still involved, such as the Inter-governmental Oceanographic Commission, the World Heritage Convention and the Copyright Convention.

However, the Government has not set a deadline for the next official review of UK membership, which the Foreign Affairs Committee has suggested should take place in 12 months' time.

British officials emphasised that while the UK appreciated the good intentions of Unesco's Director-General, Mr Federico Mayor, and looked forward to the day when it could rejoin, it remained to be seen whether the promised reforms would be properly implemented.

Channel tunnel rail plan needs £1bn subsidies

By Andrew Taylor, Construction Correspondent

PROPOSALS for a £3bn privately-financed high-speed rail link between the Channel tunnel and London's King's Cross station could require the support of up to £1bn in state subsidies, according to plans submitted to the Government.

The proposals, submitted by European Rail Link, the consortium chosen by British Rail to develop a high-speed link, make it clear the scheme would not succeed without an injection of public money.

The consortium comprises Trafalgar House, the construction, property, shipping and hotels group; BICC, the engineering and construction group, and British Rail.

It says payment of a subsidy would allow part of the capacity of a high-speed route to be made available to commuters currently using overcrowded Network SouthEast trains.

As the subsidy would be available for Network SouthEast traffic it would not fall foul of Section 42 of the Channel Tunnel Act which prohibits public money being used to finance a high-speed link to the tunnel. The construction of a new rail route which would be available for commuter services would also help reduce congestion on Network SouthEast, the consortium argues.

The consortium would have to persuade the Government to extend the 1993 deadline for the removal of subsidies to Network SouthEast. A parliamentary bill to approve a high-speed link is unlikely to be passed before 1993 and the link is not expected to be completed until 1998.

The line proposed by European Rail Link will travel from the Kent coast to close to Swanley where a new international station is planned. The details of its route from Swanley to King's Cross have been kept secret for the time being. Most of the route, however, is expected to run alongside existing track.

Plans for the route to run through a tunnel from Swanley to King's Cross under south London have been scrapped because of the high cost.

The consortium says commuter demand for rail services from Kent into London has risen by a quarter during the past five years and will increase.

Ulster jobs scene bleak, says report

By Our Belfast Correspondent

UNEMPLOYMENT in Northern Ireland is set to remain above 14 per cent until 1995 and only radical measures will have a significant impact in reducing the total, according to a gloomy economic report published yesterday.

The Northern Ireland Economic Research Centre, an independent research institute, predicts employment will rise by only 1,000 a year over the next six years compared with 3,000 a year over the last two years.

Unemployment in the Province now stands at 100,000.

Its report entitled "The Northern Ireland Economy – Review and Forecasts to 1995", took three years to complete and concludes that over 180,000 jobs would be needed to reduce the Province's unemployment to the 5.8 per cent rate forecast for Great Britain by 1995.

In a controversial recommendation, the report's authors, Dr Graham Gudgin and Dr Stephen Roper, suggest that special grants should be paid to unemployed people to leave the Province to help shorten the dole queue.

Dr Gudgin said conventional policies would not make a significant impact on unemployment and radical changes were required to alleviate the problem.

Gross Domestic Product in Ulster is forecast to keep pace with the rest of Britain throughout 1990-92 but to lag behind afterwards. A 1.8 per cent a year increase in GDP is envisaged in the first half of the 1990s compared with 3.1 per cent over the last six years.

Slow growth in domestic UK markets is expected to have a larger impact on Northern Ireland producers, especially companies involved in textiles, clothing, food and drink, than those in Britain while the anticipated growth of European markets following the advent of the Single European Market is expected to have a smaller effect.

Living standards are projected to rise more slowly than the last few years with personal disposable income rising by around 2.5 per cent a year.

The report includes, for the first time, projections using a new NIARC forecasting model of the Province's economy.

It takes the view that it is unlikely to be possible to reduce Northern Ireland's unemployment rate to single figures before 1995 and measures are advocated to increase the mobility of the labour force.

These include training measures designed for external job opportunities, enhanced job information and mobility allowances.

The report argues that the policy of large scale grant aiding of private industry in Northern Ireland has resulted in only relatively modest employment increases.

Over the medium term more emphasis needs to be placed on increasing the ability of the unemployed to find work outside the Province. Long term solutions include a suggestion that the focus of industrial policy should be switched to emphasise improvements in competitiveness and particularly in the quantity and quality of managers.

The Northern Ireland Economy – Review and Forecast to 1995 Northern Ireland Economic Research Centre, 48 University Rd, Belfast BT 7 1NJ. Price: £25 (£5 for students/unwaged).

Tankers keep market afloat

Daniel Green analyses a worldwide surge in demand and ship prices

LAST MONTH on the London stock exchange a share price noted for spending weeks without moving began to rise sharply. Followers of Horace Clarkson, a shipping broker, searched for signs of a predator, but none was found. It soon became clear that the shares were attracting buyers because the company's business had been becoming rapidly more profitable.

Investors' optimism was borne out last week when the company's results gave another boost to the price.

Clarkson is the only UK-quoted company whose business is largely based on cargo shipping. The shares' performance has been one of the few outward signs in the UK of a transformation taking place in bulk, container and tanker transport.

Industry indicators tell the story:

- the world order book for tanker building is at a five year high. Its size doubled between 1987 and 1989. Delivery time has increased from 18 months to three years;
- tanker scrapping hit a peak in 1985 and has declined steadily since. Last year scrapping came to a halt and vessel life extension schemes got under way;
- second hand prices have been swollen by speculative buying. Five years ago a second hand supertanker could be bought for $6m, barely above its scrap value. Now the price is around $40m. It costs between $80m and $100m to build a new one.

Analysts in London and Scandinavia, the centre of world ship broking, say it can be difficult to get a construction order accepted in already stretched Korean shipyards. Yard owners there believe they will be able to charge more in six months' time.

The rise in freight rates has not matched that in ship prices. The cost of transporting crude oil from the Gulf to Rotterdam has doubled to around $13.6 per tonne since March 1986, but this is still not enough to cover a tanker's running expenses and interest payments on its purchase price. Mr Hans-Christian Borresen at Norwegian ship broker Fearnleys says that freight rates will catch up, but that it will take a year for tankers and between one and two years for bulk carriers.

The move out of a prolonged recession is a change that the rest of the world has been quicker to recognise than the UK. Among publicly quoted companies, shares in Singapore-based shipbuilder Singmarine rose sharply in October 1989; those in West Germany's Bremer Vulkan climbed 20 per cent in February alone.

While many industry executives take an optimistic view on volume and margins, some independent consultants warn against over confidence.

Mr Nigel Gardiner at Drewry Shipping Consultants acknowledges that the health of the shipping business is at its best for many years, but he argues that further recovery could be stifled if a slowing of world economic activity stemmed demand for oil. He also says that with scrapping abandoned and new orders increasing, there is a risk that capacity will quickly catch up with demand, which would reverse the trend of hardening prices.

Historically, freight rates and ship prices are volatile. As demand rises, ships at sea are instructed to steam more quickly. Freight rates, at around $1,500 per million ton miles, do not increase sharply, because older, less efficient ships are brought out of storage to accommodate extra demand. As demand continues to grow, however, ship construction orders take-off and freight rates rise steeply. When all ships available are operating at full speed, the freight rate is between five and 10 times what it is in a slack period.

The commission-based fortunes of a broker such as Clarkson depend on both the volume of business and the freight rate obtained.

The world merchant tonnage is still lower than it was a decade ago, despite the intervening years of growth in industrialised countries. Freight rates and ship prices remained low through the 1980s.

In the bell-wether sector of very large crude carriers, one reason for the lower tonnage available is was the high level of local offshore oil extraction, especially in the North Sea and the Gulf of Mexico. Demand is now rising as the US once again imports an increasing amount of oil from the Gulf.

The lack of world shipbuilding capacity after more than a decade of closures is compounded by a dearth of skilled labour. At its peak in the 1970s, Japanese shipyards were in the top three of the league table of skilled worker pay.

It is the Far East that has the yards capable of building the large ships for which there is demand. Europe is not in a good position to follow suit. Only the West German yards are in the running, and their capacity is dwarfed by their Far Eastern rivals. The rest of Europe stands the sidelines. The rise in the shares price of a small shipping broker is the most visible City reaction to an industry at its most optimistic for a decade and a half.

Decision close on repayment of EC aid to BAe

By Lucy Kellaway in Strasbourg

THE EUROPEAN Commission is close to reaching a decision on the repayment of aid granted to British Aerospace at the time of its purchase of the Rover Group, the former state owned car manufacturer.

Sir Leon Brittan, the EC competition commissioner, told the European parliament he had received all the information he required from the British Government. An announcement is expected soon after Easter.

An investigation into the £38m of "sweeteners" which the Government paid to BAe to ease through the deal, has been straightforward. It is widely expected the Commission will demand repayment of most of the amount.

Although Rover was privatised in August 1988, BAe only transferred the £150m to the UK Government last Firday. The delay is estimated to have saved BAe at least £22m.

A report by the National Audit Office found that the sale price of £150m had substantially undervalued Rover.

Ford, the US manufacturer, which along with Volkswagen, the West German car manufacturer, was interested in acquiring Rover, was prepared to pay between two and four times the BAe price.

UK NEWS

In Brief

Jaguar sees record first quarter car sales in US

JAGUAR had record first-quarter car sales in the US - however, Jaguar executives acknowledge that the momentum was unlikely to be sustained throughout the year.

Mr Michael Dale, senior vice-president of sales and marketing of Jaguar Cars Inc, said he expected sales for all of this year to improve slightly, to "over 20,000" cars, compared with 19,700 in 1989.

Support for pound

Limited intervention by the Bank of England to support the pound contributed to a $429m underlying fall in Britain's reserves of gold and foreign currency last month.

The fall was slightly greater than the market expected but caused no big surprises. It follows an underlying rise of $114m in February and a fall of $1.2bn in March 1989.

Water sale bill

THE Government announced yesterday that it spent £128m on last year's £5.11bn water privatisation.

Although more was spent on the privatisations of British Telecom and British Gas, the Government figure excludes £62m spent by the 10 former water authorities.

FT award

Mr Jimmy burns, a Financial Times reporter, was yesterday named national newspaper industrial journalist of the year by the Industrial Society.

Mr Burns, 37, won the award for his "outstanding" work as an employment reporter in 1989.

N-case lost

A couple who claimed they were forced to leave their home because of radioactive contamination from the Sellafield nuclear plant lost a £150,000 High Court damages action yesterday.

Airline sales

The number of fare-paying passengers carried by European airlines rose by 9.8 per cent in February compared with the same month last year, according to the Brussels-based Association of European Airlines.

Chancellor considers EMU, Japan rates, Germany

Major sees inflation down ahead of interest rate cut

By Peter Norman, Economics Correspondent

MR JOHN MAJOR, the UK Chancellor of the Exchequer, yesterday said he believed that falling inflation in the period to mid-1991 would allow the Government to cut interest rates.

Answering questions before the House of Commons Treasury and Civil Service Committee, Mr Major said it would "defy logic" to have interest rates at 15 per cent if retail price inflation fell to an annual 5 per cent by the end of June next year as forecast in his Budget.

He stressed, however, that interest rate cuts would have to follow inflation downwards. Although there were signs that demand was slowing it was not yet clear when it would be "safe and secure" to cut rates.

The Chancellor was careful to avoid detailed elaboration of the conditions that would determine eventual full British membership of the European Monetary System.

Mr Major repeated his earlier view that the conditions for entry were moving towards being met although the condition that Britain's inflation should be "proximate" to the European Community inflation level had "certainly not been met."

Despite repeated questioning, he declined to specify how the Government would judge when the inflation rates were "proximate." In particular, he refused to specify which measure of inflation - the retail prices index, the underlying inflation rate, the gross domestic product deflator or a mixture of all three - would be the basis for the Government's final decision.

Howwever, the Chancellor spoke approvingly of how the EMS exchange rate mechanism had successfully helped member countries to combat inflation.

He was confident that West Germany would cope with the problems of German monetary union. It was not clear that there would be any rise in German interest rates, he said. When asked about the danger of higher Japanese rates, he noted that an increase in Japan's official interest rate earlier this year had no effect on sterling.

The Chancellor's praise for the EMS did not extend to the idea of European Monetary Union. Britain was still pressing its idea of competing monetary policies and retained its reservations about the Delors' plan for a common European currency and central bank, he said.

Mr Major also appeared cool towards the idea of an independent Bank of England. The history of the US Federal Reserve System in the 1970s showed independence did not guarantee success against inflation.

● The Government yesterday announced that it was to reduce the new community charge fixed by 20 local authorities, cutting some individual bills by nearly £100, and leading to lower payments for more than 4m people.

The decision, which ministers hope will limit the political damage arising from the introduction of the new tax, which replaces property-based rates, excluded any Conservative-controlled councils.

Astra in defence fraud inquiry

By Jane Fuller

ASTRA HOLDINGS, the munitions and fireworks maker, yesterday confirmed that Ministry of Defence police were investigating transactions involving Mr Christopher Gumbley, the group's former managing director.

According to Astra's chairman, Mr Roy Barber, the MoD's fraud squad, led by Detective Inspector Branagh, were "ploughing through documents" at the group's offices in Canterbury, which is where Mr Gumbley was based. The office has now been closed.

Astra's share price closed yesterday at 17p, a tenth of last year's high, after shedding 3p during the day.

The MoD police investigation follows Mr Gumbley's arrest on March 13 "in connection with contractual irregularities." Mr Dennis Stowe, a civil servant at the Directory of Light Weapons, was arrested for the same reason on the same day. Neither man was charged and both were released on bail.

Mr Gumbley resigned at about the time of his arrest. No compensation was asked for, according to Mr Barber, who took over as non-executive chairman in early March.

The MoD investigation was not tied to a specific contract, he said. It concerned "various transactions involving Mr Gumbley and a number of other matters and events" at the Canterbury office.

Mr Barber said the office would have been shut anyway as part of a cost-cutting exercise. Eight people have been made redundant and three transferred.

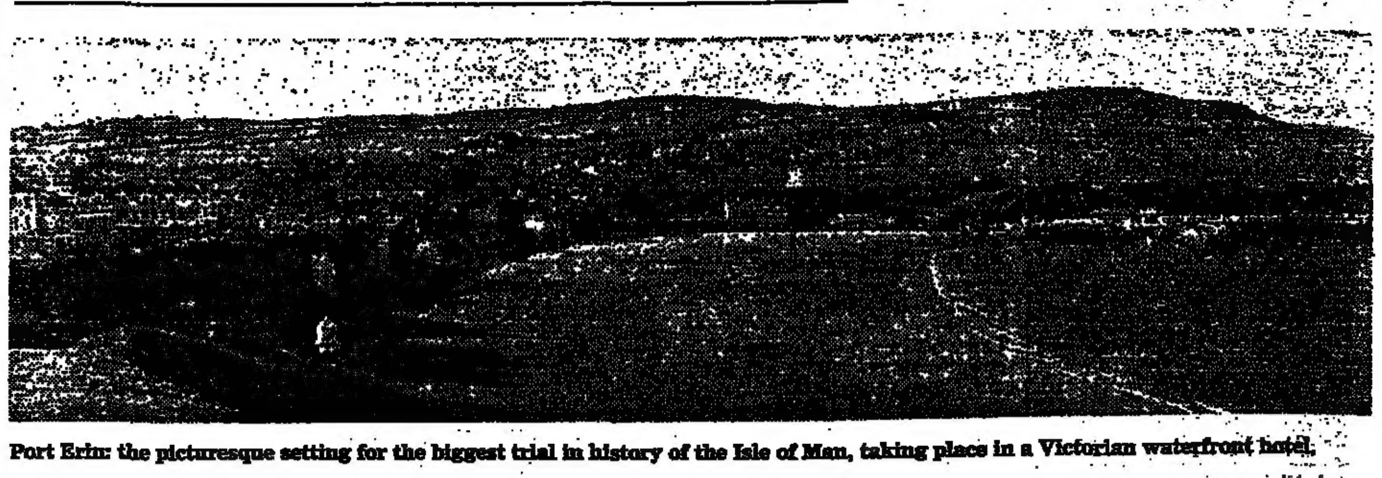
The latest bad news, which includes the announcement of 250 redundancies at the group's Grantham factory, follows a warning of substantial losses for the year just ended and the departure from the board of all the executive directors who have led the company since its 1986 listing.

Astra has vetoed compensation payments totalling £500,000 to Mr Gerald James, former chairman, and another director Mr John Anderson.

The group has also hired Coopers & Lybrand Deloitte, the accountants, to look into the conduct of the business before March this year.

One of the factors in the group's financial difficulties has been the discovery of up to £12m losses for 1989 at PRB, a Belgian company bought in 1988. Although it had made losses of that order in 1988, the rights issue document that preceded the deal implied it would be back in profit last year.

SAVINGS AND INVESTMENT BANK FAILURE



Port Erin: the picturesque setting for the biggest trial in history of the Isle of Man, taking place in a Victorian waterfront hotel.

Court with a view judges verdict in seaside special

Sue Stuart on the bizarre setting of a Manx trial

EACH morning, a gaggle of Britain's leading barristers and QCs enter a Victorian seafront hotel in the tiny village of Port Erin on the Isle of Man. Behind the hotel's peeling stucco facade a major fraud trial is going on. It is a bizarre setting.

The Savings and Investment Bank trial has been billed as a major event for months. It has been anxiously awaited by defendants, prosecution, the bank's creditors and the public.

When the bank crashed in June 1982 it left £42m debts and more than 3,000 creditors, many of whom were small investors who lost their life savings.

The venue for probably the biggest trial in Manx legal history has none of the constitutional pomp normally associated with such an event.

The Ocean Castle Hotel in Port Erin has breathtaking views around the bay into the Irish Sea and surrounding hills.

Inside, flocked wallpaper and formica-topped tables create an atmosphere rather different from the wood-panelled courts on the mainland where most of these lawyers are more usually to be found.

There is no outward hint of the proceedings apart from a notice in the window proclaiming it a High Court.

A Manx flag at first flew from a portable flagpole by the front door, but it blew down on the first day and has not flown since.

Solicitors and clerks carrying heaps of files daily negotiate the revolving door into the hotel's reception area, where solicitors, barristers, defendants, police, press, court officials and members of the public mingle, admire the view and extract refreshment from a computerised drinks machine. There could not be another court house in the world with such a marvellous view – across the sea towards Northern Ireland more than 40 miles away – one QC remarked.

The hotel has been closed for two years because of lack of trade, and the Manx authorities have leased the building for the trial, which could last for up to nine months if it goes ahead.

The lawyers each have separate offices in the hotel's bedrooms along narrow passages on the first floor. Both prosecution lawyers and those for the eight defendants have to be accommodated.

Beds have been removed and ancient desks put in their place. The makeshift offices are packed with files, fax machines and kettles. Ensuite bathrooms make up for the less than grand conditions.

The courtroom itself is laid out with rows of court furniture brought in from the mainland.

The lawyers are staying in hotels or rented houses scattered around the south of the island. Some walk to the court house, some drive.

One QC cycles in from a neighbouring village each day equipped with woolly hat and bicycle clips. Local restaurants are enjoying the business. One restaurateur has put in special orders of wine, some costing around £120 a bottle, for the legal interlopers.

Mr Thomas Field-Fisher, QC, the acting Deemster (Judge), brings his pet dog Sam to the court house every day.

Sam normally sits in the judge's room, but found his way in to the courtroom on one occasion and disrupted proceedings with obvious pleasure.

In the unique informality of this setting, the lawyers press on as though quite at home. The forcefulness of Mr Stephen Solley, the clarity of Mr David Poole, and the delight of listening to Mr Rodney Klevan are some of the exhaustingly stimulating experiences for islanders used to the more bland submissions of the Manx courts.

As the day approaches when the Judge will rule whether or not there will be a trial, most are savouring the extraordinary surroundings within which their everyday business goes on.

Police 'not involved' in SIB inquiry

By Sue Stuart

IF POLICE had taken part in the inspectors' inquiry into the collapse of the Savings and Investment Bank, the inquiry would have foundered, which could not be in the public interest, a Manx court was told yesterday.

Prosecution counsel are replying to the application by defence counsel to have the trial stopped of eight former directors, officials and agents of the bank. The defendants face 37 charges arising from the collapse of Savings and Investment Bank on the Isle of Man in 1982, with £42m debt and over 3,000 creditors.

Mr Michael Corkery, QC, for the Crown, answered criticism from defence counsel regarding the manner of the inquiry and the claim that information was passed freely between inspectors, liquidators and later the police.

He said when looking at the system adopted in 1982 on the Isle of Man "one has to consider the investigative problems."

"The police in 1982 on the island would have been completely out of their depth in the Savings and Investment Bank inquiry," said Mr Corkery. He told the court that the island then had limited police resources and did not have a fraud squad until 1986, in spite of constant pleading for one by the Chief Constable over the years.

Mr Corkery continues today.

FT LAW REPORTS

Wife loses family home to bank

LLOYD'S BANK PLC v ROSSET AND ANOTHER
House of Lords (Lord Bridge of Harwich, Lord Griffiths, Lord Ackner, Lord Oliver of Aylmerton and Lord Jauncey of Tullichettle): March 29 1990

A WIFE cannot resist a bank's claim for possession of her husband's house by asserting she has a beneficial interest ranking in priority to the bank's registered charge, if she fails to show that prior to purchase her husband agreed the property should be jointly owned, or that by her conduct she contributed to its acquisition, indicating a common intention that the husband should hold it for their joint benefit.

The House of Lords so held when allowing an appeal by Lloyd's Bank plc from a Court of Appeal decision that Mrs Diana Rosset had a beneficial interest in her husband's property taking priority over the bank's registered charge and entitling her to possession.

LORD BRIDGE said that Mr and Mrs Rosset were married in 1972 and had two children. They lived in an extension to Mrs Rosset's parents' home.

Mr Rosset became entitled to a substantial sum of money under a Swiss trust fund. In 1982 he and Mrs Rosset looked for a new home. Mrs Rosset found Vincent Farmhouse in Thanet. Mr Rosset offered £57,500 and it was accepted.

On October 25 1982 Mr Rosset opened an account at the bank's Broadstairs branch. On November 2 he received £70,300 from Switzerland. He paid £59,200 into his bank account.

On November 23 contracts for purchase of the property were exchanged. On December 14 Mr Rosset asked the bank manager to allow him to overdraw £15,000 to meet renovation costs. He told the manager the property was to acquired in his sole name.

The manager agreed to the overdraft and Mr Rosset signed the bank's form of charge. It was dated on completion of the purchase on December 17, and registered on February 7 1983. Mrs Rosset knew nothing of the charge to the bank or the overdraft.

Mr and Mrs Rosset were let into possession by the vendors before exchange of contracts. Their builder began work on November 7. They moved in on February 1983.

By that time Mr Rosset's overdraft had risen to over £18,000. The bank refused to extend further credit. Most of the funds had been spent on renovations. The purchase price and the cost of the works were paid by Mr Rosset alone. Mrs Rosset made no financial contribution.

In July 1984 the bank instituted possession proceedings. By that time Mr and Mrs Rosset had parted. Mr Rosset, who was no longer residing in the property, did not resist the claim.

Mrs Rosset alleged in defence that since the date her husband contracted to buy the property, she had been entitled to a beneficial interest under a constructive trust. She said it qualified as an overriding interest under section 70(1)(g) of the Land Registration Act 1925, because she was in actual occupation on December 17 1982 and February 7 1983, whichever was the relevant date for determining its existence.

The trial judge found that Mrs Rosset was entitled as against her husband to a beneficial interest in the property.

He held that the proprietor of a legal charge took subject to overriding interests subsisting at date of creation of the charge. He found Mrs Rosset was not in actual occupation on December 17 and concluded that her equitable interest was not protected as an overriding interest by section 70(1)(g).

He gave judgment for possession in favour of the bank. Mrs Rosset appealed.

The Court of Appeal affirmed the decision that the relevant date to show actual occupation to establish a prevailing overriding interest was December 17, but differed on the facts as to whether Mrs Rosset was in actual occupation on that date. It held by majority that she was.

The bank now appealed.

The relevant date to ascertain whether an interest was protected by actual occupation was when the estate was transferred, not when it was registered (see *Abbey National v Cann, FT April 3 1990*).

The bank challenged the finding that Mrs Rosset had, by completion date, acquired a beneficial interest in the property.

Mrs Rosset's case was that it had been expressly agreed between her and her husband in conversations before November 1982, that the property was to be jointly owned, and that in reliance on the agreement she had made a significant contribution to the acquisition by undertaking some of the renovation work.

She said the work was sufficient to give rise to a constructive trust in her favour.

There was a conflict of evidence between Mr and Mrs Rosset on that issue.

To sustain the claim it was necessary to show that Mr Rosset intended to make an immediate gift to his wife of half the value of the property.

What made it difficult was that Mr Rosset's uncle, who was trustee of the Swiss inheritance, would not release funds for purchase of the property except on terms that it was to be acquired in Mr Rosset's sole name.

It would have required very cogent evidence to establish that the Rossets' common intention was to defeat the Swiss trustee's restriction by acquiring the property in Mr Rosset's name alone and treating it as beneficially owned jointly.

The judge rejected Mrs Rosset's case on that point. He said that in the period from August 1982 to November 23 when contracts were exchanged, the Rossets did not decide whether Mrs Rosset should have any interest in the property.

Having rejected the contention that there had been a concluded agreement or arrangement, the judge concentrated on Mrs Rosset's activities in connection with the renovation. He was satisfied that prior to December 17 there was a common intention between that she should have a beneficial interest.

He said some of her work fell into the category of work on which she could not reasonably have been expected to embark unless she was to have an interest in the house, "namely the . . . special skills of painting and decorating, and her work in ordering and delivering materials . . ."

By itself such activity could not possibly justify an inference of common intention that Mrs Rosset should have a beneficial interest under a constructive trust.

Mrs Rosset was extremely anxious that the new matrimonial home should be ready for occupation.

It was the most natural thing in the world for any wife to spend all the time she could, and employ any skills she had in accelerating progress of the work, irrespective of any expectation she might have of enjoying a beneficial interest in the property.

The monetary value of her work must have been so trifling as to be almost de minimis.

The judge's finding that Mr Rosset held the property as constructive trustee for himself and his wife could not be supported. It was on that ground that the appeal would be allowed.

In resolving a dispute between former partners as to beneficial interest in the home the first question for the court must always be whether, independently of inference drawn from conduct, there had been prior to acquisition, or exceptionally at some later date, an agreement, arrangement or understanding that the property was to be shared beneficially.

The finding of an agreement or arrangement to share in that sense could only be based on evidence of express discussions between the partners, however imperfectly remembered and however imprecise.

Once a finding to that effect was made it would only be necessary for the partner asserting a claim to beneficial interest to show that he had acted to his detriment or significantly altered his position in reliance on the agreement, in order to give rise to a constructive trust or a proprietary estoppel.

In sharp contrast with that situation was the very different one where there was no evidence to support a finding of agreement or arrangement to share, and where the court must rely entirely on conduct to infer a common intention to share beneficially and to give rise to a constructive trust.

In that situation direct contributions to the purchase price by the partner who was not the legal owner, whether initially or by mortgage instalments, would readily justify the inference necessary to the creation of a constructive trust. On the authorities it was extremely doubtful whether anything less would do.

The appeal was allowed.
Their Lordships agreed.

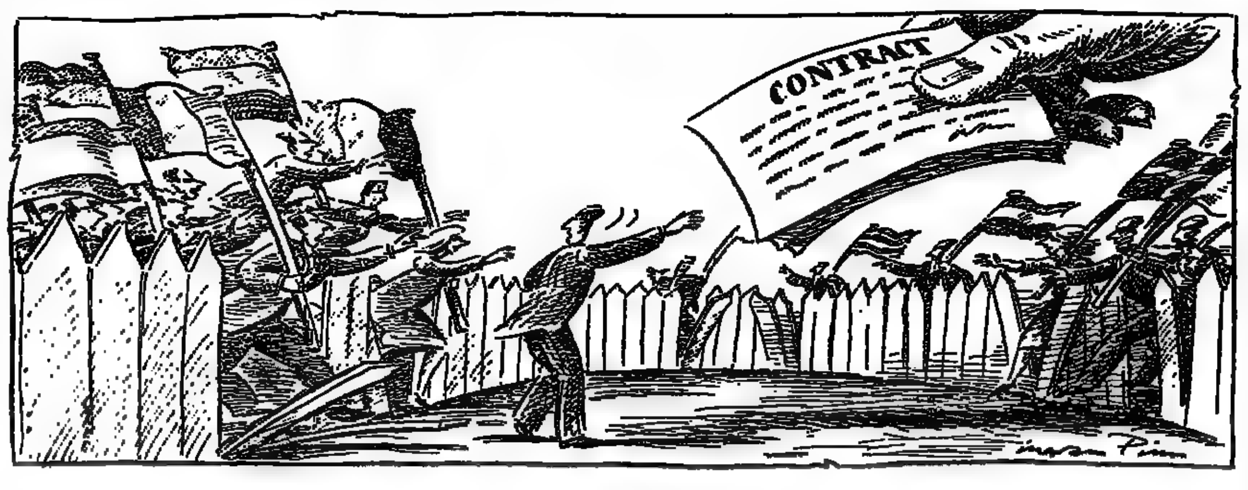
Rachel Davies
Barrister

MANAGEMENT

Procurement in the EC

Market beginning to open up on bigger contracts

Lucy Kellaway examines the implications of changes in the rules



If you want to compete for a big contract, the last place you would think to look is the Official Journal of the European Communities. Buried in a supplement to that dry publication are invitations to tender for major public works and supplies contracts – but nobody takes much notice, and quite rightly. It is a fact that big buyers buy national; if you are a Danish construction company it is a waste of time to put in a bid, say, for a Portuguese motorway.

But with new rules being introduced across the Community, the Official Journal is about to get an eager new readership. By January 1 1993 it will be publishing details of about 50,000 big contracts a year, ranging from school dinners to acoustic design, to telephone systems to power stations. Not only will the scope have been extended but the procedures for both parties to a contract will have changed, with a view to making the procurement market in Europe a little more open.

Until recently it was only public bodies that were subject to EC procurement community rules, and four of the most important sectors – telecommunications, transport, energy and water, were excluded.

Between now and January 1 1993 all that will be changed. Those sectors are being brought within the rules, as are services – like consultancy and perhaps other professional services such as accountancy. Moreover, the scope of the new rules is to be much broader, applying not only to public sector buyers, but extended to all monopoly or quasi public buyers.

The big buyers are screaming murder. BP recently claimed that the costs of abiding by the rules would add some 2 per cent to its total purchasing bill. Others have complained that the bidding timetable is so inflexible that it will impose large costs on their business, and that the need to keep documentary evidence of past purchasing decisions will be inconvenient, expensive and unnecessary.

They also protest that rules will restrict their flexibility in the choice of contract, by permitting only a finite number of reasons for preferring one contract to another. This, so the objection goes, will lead to worse purchasing decisions.

Meanwhile the potential bidders have complained that the timetables laid down by the commission are not long enough, and that if they are to be successful in bidding for a big contract they need more than the minimum notice of six weeks or so.

The commission has responded fairly ruthlessly to the buyers' complaints. "We have had one sector after another sidle up to us saying that they quite understand and support everything that we are doing, but that they are an exception as they are already quite open," said one unimpressed official.

The commission argues that anyone who maintains that the procedures are expensive and bureaucratic simply has not read them. "The only cost is that of placing an ad in the Official Journal, and we pay for that. And it is not true that the rules are bureaucratic; most big companies have similar procedures anyway," he said.

The new rules are designed to make tendering processes more transparent and more fair. The timetables have been extended, contracting bodies have to publish more information both before and after awarding the contract. Moreover, they can use only objective criteria in deciding which bid to accept, and must let bidders know how they will be judged.

Part of the struggle is to get everyone informed of the new measures. The commission is doing its bit with a series of guidebooks for both buyers and suppliers.

The international conference organisations have already spotted a great new market for their services, and public procurement conferences are already so commonplace that the commission has a skeleton standard speech for its overworked procurement experts to give talks.

Of more practical significance to the bidder is TED (Tenders Economic Daily), an electronic service that gives easy access to everything published in the OJ. At the moment subscriptions are running at a miserable 1,000 or so, a reflection of how lightly the existing rules on procurement are taken. However, one fairly certain effect of the new rules is that TED subscriptions will take off over the next few years.

The commission expects that before long every potentially interested bidder across Europe will be plugged either directly into TED, or indirectly to a national body that subscribes to the service and then packages it more conveniently to the needs of individual companies.

Another likely effect of the rules, at least at first, is a flurry of European joint ventures. At present nearly all the cross-border bidding that goes on is through joint venture companies, with big foreign companies choosing domestic partners in order to give them a better chance.

This is not likely to change, even when the rules do become more open. Local firms can not only help in providing notepaper with a friendly domestic address, but in contributing all kinds of practical help and local labour.

Despite all these grand efforts and new procedures, success is far from guaranteed. "If a firm is determined to buy British we can't stop them," says one of the commission's procurement experts. "We are not trying to *challenge a company's commercial* judgment – what we are trying to do is make sure that bidders everywhere in Europe get a fair crack of the whip."

Bids and rules

When do the new rules come into force? There will be half a dozen different directives on public procurement, each with their different deadlines. The public works and supplies directives will take effect this year, with directives on the excluded sectors (telecoms, energy, water and transport) and on services taking effect by the beginning of 1993. Separate directives on legal enforcement will be introduced from the middle of next year.

What sort of companies will be affected? The rules will apply to all public buyers: local authorities, hospitals etc. The so-called "excluded sectors" directive will also apply to private monopolies and to private companies in which a government exercises control. Large and medium-sized European companies in nearly all sectors will be affected as potential bidders. However, bidders with less than 50 per cent community content may be ignored; their bids will be rejected if they are less than 3 per cent cheaper than the best European bid.

How big must the contracts be? Over ecu 5bn for works contracts, and ecu 200,000 for most supplies, except for water transport and energy, where the threshold is ecu 400,000, and telecoms where it is ecu 600,000.

How will the buyer advertise? It must take out an advertisement of not more than 650 words in the Official Journal giving a broad description of the contract, and other basic information such as its address, and closing date for tenders. It must say whether the tender is to be open (in which case anyone can apply) or whether it is to be restricted (by invitation only). If it is restricted, the company must state how it plans to select its applicants. It must use such objective criteria as financial standing, technical merits, etc.

The detailed specifications given to bidders must use European standards, and must make no mention of national standards, or anything else that will exclude bidders on the basis of nationality. It must be clear how the successful bidder is to be chosen.

How much notice should bidders be given? If the buyer is using an open tender, it must give at least 52 days' notice, unless it has already put in an advertisement giving a broad description of all its purchasing needs for the year ahead, in which case the limit is 37 days. In special cases the time can be reduced to 15 days.

In restricted tenders at least five weeks must be given for companies to apply to bid, and then a deadline must be agreed jointly with all candidates for the closing date for tenders.

How will the best bid be chosen? The buyer can either choose the cheapest, or the "most economically advantageous". This can consist of all sorts of things – including price, design, delivery date, running costs, etc, but if the bidder chooses this route, it must make it clear to the bidders in advance which things it regards as most important.

Award of contract. This must be advertised in the OJ giving the name and address of bidder, the number of tenders received. More detailed information containing the price the bidder tendered must be submitted to the commission in confidence.

Afterwards... The bidder must keep a record of the bids and of the basis for reaching the decision for four years, so as to be able to respond if challenged.

How can aggrieved bidders seek redress? Compliance rules for the excluded sectors have yet to be agreed, but for the other sectors, wronged bidders should complain without delay to the commission. If the commission finds the complaint substantiated, it can take the matter up with the member states, if necessary taking it to the European court. The company can also sue the purchaser in the national courts. By next year all member states will have amended their laws so that aggrieved parties have adequate means of redress. The courts can order contracts being investigated to be suspended, they can reverse contracts taken unlawfully, and can order damages to be paid.

Trade with the Eastern bloc

How to avoid the dangers

Peter Montagnon on technology transfer

One of the most daunting problems for any company wishing to do business in the East bloc these days is the region's lack of hard currency. Simply exporting products for cash is not normally a viable option.

Many companies are thus driven to consider the sale of technology as an alternative method of entering the market.

Yet, according to a private survey by management consultants Arthur Little, technology transfer is fraught with dangers, wherever in the world it is carried out. Unless companies are very careful about how they approach the issue, it can easily backfire.

On the surface the sale of technology makes sense since it offers a low cost way into a marketplace with a large potential for growth. The East bloc importer does not have to part with too much hard currency while the Western firm acquires a local partner and a toehold in a new market.

"However," says Chris Floyd of Arthur Little, who carried out the work, "you don't sell technology just for the money. It's not worth it by and large. The risks are too great."

Among these risks are that the company concerned will end up helping its competition. Management resources which ought to be devoted to its core business may be diverted to handle the sale of technology. Or the purchaser may abuse the technology, using it to produce shoddy goods that damage the reputation of its original owner.

For this reason, companies need to consider the strategic benefits of technology transfer very carefully before they enter into any transactions, Floyd says. Most, but by no means all, of the multinational companies covered – anonymously – in the study take all decisions regarding technology transfer to the main board.

Simple consultancy services can be offered as a means of revenue generation, the study suggests, but the sale of pacing and key technologies is another matter. These are too valuable to be sold simply for money and should be used only as strategic levers to provide entries to joint ventures.

Because such technologies confer a significant competitive advantage on those that acquire them, the supplier should normally take an equity stake in the new venture to secure control over the future use of the technology.

Above all, the supplier certainly needs to have a clear strategic reason for selling the technology. The type of technology he is prepared to offer should match this objective.

Base technologies may not, for example, give sufficient strategic leverage to prise open a new market. The sale of product technology to countries with inadequate patent protection may carry too much downside risk because of the likelihood of imitation. Process technology, which the purchaser finds harder to copy, may be a better bet.

No competitive threat

Floyd cites the establishment of aluminium smelting facilities in Venezuela as one example of beneficial technology transfer. Because of its low energy costs, Venezuela is a natural location for this activity and there is no competitive threat to the companies concerned since they can buy back the product and still make a profit through their downstream processing and distribution activities.

Sometimes a company might decide to sell technology in one product area to help the purchasing country raise foreign exchange to buy products from another of its divisions. Such a decision requires a careful balancing of the overall interests of the supplying company, however, and cannot be made without first establishing what its primary objective really is.

Of little commercial sense would be the theoretical sale by British Coal of key mining technology to Poland. Since Poland could almost certainly only pay with supplies of coal, British Coal would end up competing against itself and undermining its own market.

TECHNOLOGY

Della Bradshaw and Hazel Duffy visit science communities in Japan and France and see the facilities which draw companies to move there

High hopes in the race for ideas

It is a commonly heard complaint that the Japanese are good at copying things but are laggards when it comes to carrying out basic scientific research. It is a view subscribed to even by the Japanese themselves.

But now Japan's academics, industrialists and politicians intend to redress the balance. With the sort of enormous master plan and vast upfront investment that only the Japanese can muster these days, they are building a city on the borders of three of the country's largest cities – Osaka, Kyoto and Nara. The plan is to create a scientific centre in the hills of the Kansai region of Japan where scientific breakthroughs of world significance will be achieved.

The initial plan, enshrined in the Construction Promotion Act of June 1987, should be complete between the years 2005 and 2010. By then, Kansai Science City will have cost Y4,000bn (£15bn) for the civil engineering and basic construction work alone. It should house 350,000 people and have all the attributes of a normal city – houses, schools and entertainment centres – as well as research laboratories.

And, as the organisers point out, that is just the initial plan. The site for the city – on the remnants of the Heijo Palace – is one of the oldest cultural centres in Japan. Shozo Ogawa, planning manager for the Kansai Research Institute, says that the scientists are eager to exploit this tradition. "Our definition of culture is art, science and technology together," he says.

This sort of expansive approach is easy to decry. So, too, is the organisers' plan to invite the world's Nobel prize winning scientists and first grade scholars to work there.

There is little doubt that in terms of construction work the Japanese will achieve what they set out to do. Like Tsukuba, the technology city built 36 miles north of Tokyo, the plan has national government backing and money has been earmarked in the national, regional and local government coffers – as well as commercial companies. Construction of the roads and rail links, as well as housing and laboratories, are well under way.

More important is whether, installed in their hallowed surroundings, the researchers will deliver the lead in basic science that is intended. One of the first tests will come with the ion engineering centre, which will investigate the way these charged atoms behave when in a coating on a semiconductor chip or on ceramic.

In July the centre will move into its newly completed building in the science city, but it has already started functioning. Last month the staff held an ion engineering seminar in Osaka, looking at developments in the field. One speaker there was Michael Current, senior scientist at Applied Materials, the Californian semiconductor production specialists. He believes the organisers of the centre have "got the spirit just about right" with a very open attitude to developments there.

Current says that one of the most exciting aspects of the project is the liaison between universities and industry. And he has few qualms about the ultimate success of the venture. "It's intended to be a really vibrant place, and I'm sure they will achieve that," says Current. "I really don't think they will mess it up."

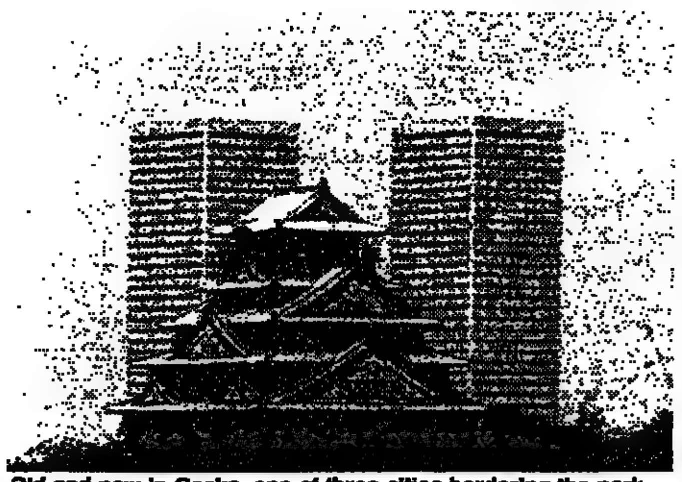
The initial spark for the ion project came from Japan's Ministry for International Trade and Industry (MITI). Because the equipment needed to set up an ion engineering centre is prohibitively expensive for all but the largest companies, MITI proposed to set up the facilities and then lease them back to companies that wanted to use them.

Sixty-five companies have got together to take advantage of that proposal. They include the big names in Japanese technology – Hitachi, Matsushita Electric, Toshiba and Sharp – as well as whole raft of steel, heavy industry and energy companies.

Although the centre is intended to carry out basic research, Current believes it will help companies, in particular smaller companies, to develop their own techniques. "It will mean that you don't have to be a Hitachi or a Mitsubishi to get access to first class research and process development," he says. "What will be interesting is to see whether the smaller companies can get a big leg up by going in, developing and stabilising a process and then going out and buying the equipment they need to produce it themselves."

Although one of the most exciting projects, the ion engineering centre is not the first to swing into action. The advanced telecommunications research institute laboratory is just one centre which has already found a home in Kansai's science city. The biggest shareholder in that project – with start-up costs of Y20 bn, and up to Y80 bn working capital over the next 10 years – is the telephone company Nippon Telegraph and Telephone Corporation.

MITI has also announced plans to establish a research institute in the city to study the global environment. The main will be on using biotechnology to try and solve environmental problems such as global warming and the greenhouse effect. In particular, they will be trying to isolate and reproduce those chemical reactions that occur naturally.



Old and new in Osaka, one of three cities bordering the park

The example given by Takao Sakamoto, manager of the project planning department of the Kansai Economic Federation, is the humble glow-worm. It produces light without producing heat, he argues. By copying the process, industry could do the same.

Other plans for the city include the government-sponsored Advanced Institute of Science and Technology, a second Diet (national government) library and a privately-sponsored International Institute for Advanced Studies, as well as research facilities for individual Japanese companies.

Unlike the Tsukuba technology city, the organisers say the emphasis in Kansai will be on basic science, rather than technological applications. In addition, all the centres will be set up from scratch – they will not be moved from universities or commercial laboratories elsewhere in Japan.

But, as with Tsukuba, the organisers are hoping that overseas companies, as well as Japanese ones, will participate in the new city. In Tsukuba, for example, two international pharmaceutical companies, Imperial Chemical Industries (ICI) of the UK and Upjohn Laboratories of the US, have invested heavily in research facilities. And last November Texas Instruments also announced its intentions to build a research and development centre in Tsukuba.

The Kansai planners are pinning their hopes on a number of construction projects, such as the new international airport in Osaka bay, as conduits to encourage the influx of overseas companies. One West German pharmaceuticals manufacturer is already discussing the possibility of setting up its latest research laboratory in Kansai, says Sakamoto.

One step taken to encourage foreign participation has been to elicit papers for a scientific forum to be held in Japan this summer. The organisers printed an open invitation in the American magazine Newsweek in January, calling for applicants to "send a letter to the 21st century" and come up with ideas to make the next century "a more peaceful, richer experience for us all".

The only qualification needed to be selected is a good idea, say the organisers. More than 300 good ideas were received by the March deadline.

DB

The rush to move in on a French creation

Sophia Antipolis, behind France's Cote d'Azur, is a showcase for French telecommunications. Twenty years ago the area was covered with Corsican pine. Today the town employs around 10,000 and houses 5,000 people.

Forty per cent of employees are classed as executives. They work for domestic and international companies which have been attracted by the area's technical and social facilities.

The town – its exotic name derived from Sophia, the wife of the Parisian-based engineer who had the original idea, and Antipolis, the Greek for nearby Antibes – was planned originally as France's answer to Silicon Valley. But the most important constituent of the formula which gave birth to the Californian phenomenon – the academic institutions – was not present.

What the French had was an abundance of land in Europe's sun belt, and the determination of regional and local authorities to find solid alternative employment to tourism. With support from central government secured in the early 1970s the stage was set for regional development and high technology policies to be put into effect jointly. It was a formidable combination.

The south of France was not wholly new territory for computer technology. IBM and Texas Instruments, for instance, had already located some European research in the area. The Sophia Antipolis authorities wanted to build on this research and development, not manufacture (although it has taken some of the latter). Ten years ago, Digital arrived. It was attracted by the good communications in the area, the ease of getting executives to go there, and to take advantage of the telecommunications facilities. Its initial decision, and later expansion, provided a big boost to the high-tech concept of Sophia Antipolis.

Digital's first centre in the science park was set up to complement its existing facility in Basingstoke, England, which diagnoses via a telephone line system malfunctions in Digital computer installations.

To this, Digital added remote hardware monitoring, and three years ago it set up a group of marketing experts and engineers in a telecommunications centre. Recently, Digital announced that it would be putting its worldwide telecommunications business development group into Sophia Antipolis. Edoardo Berera, telecommunications consultant at Digital's European Technical Centre, explains that it was "a conscious decision" in the light of the growing market in Europe for telecommunications services and the race by manufacturers to develop the equipment.

Digital has worked closely with France Télécom in developing and testing advanced telecommunications services. Its need to connect the scattered buildings was incorporated into the fibre optic local area network which dates back several years in Sophia Antipolis. The network has since been expanded to other companies.

The newest and most exciting telecommunications innovation, however, concerns Numeris, the French version of the Integrated Services Digital Network (ISDN). France has a headstart on other providers, and the first applications for users are beginning to appear. The advantage of the system is that it combines pictures, data and voice traffic over the public telephone network.

A Digital computer will act as a switchboard in an application of ISDN with the French Riviera Tourist authorities. Information, hotel, car hire, and travel reservations will be available in one 24-hour a day service, to be launched officially in May. It is expected to be of particular interest to the growing conference business on the Cote d'Azur. Initially available in English and French, other languages will be added.

Air France put its reservations centre in Sophia Antipolis. The airline is also represented through Amadeus, the international airline booking and information systems group which opened its development centre in Sophia Antipolis nearly two years ago.

Iberia, Lufthansa, and SAS are in a consortium with Air France in what is an increasingly cut and thrust business between competitors in the US and Europe. ISDN will provide high speed lines for the transfer of data and voice from workstations to the main computer in Munich.

American companies are well represented in Sophia Antipolis. Rockwell put its first research centre outside the US in the park two years ago, as part of a deliberate plan to recruit Europeans and generally to add a European dimension to its American culture. Dow Chemical and Dow Corning have located subsidiaries there.

Health care laboratories, including Wellcome, constitute another wing of the research-based economy. Two high schools in the town add to the youthful, international flavour. Management education is another pursuit in the process of development.

Sophia Antipolis is well endowed with research bodies. They include the national institute on patents research, and the European Telecommunications Research Institute, set up to develop European telecommunications standards. The Alpes Maritimes regional council has also set up the International Centre for Advanced Communication to research remote teaching, homeworking, etc. France Télécom is setting up a research in corporate communication, directed at corporate networking.

Despite the undoubted success of Sophia Antipolis in attracting leading companies – French and international – to the area, it cannot afford to be complacent. "The struggle is for the big companies. The little companies come by themselves. They revolve around the big companies," says Christian Pasquetti, marketing manager of the company which manages Sophia Antipolis (the company is owned 51 per cent by the regional council and 49 per cent by the chamber of commerce).

Other cities in France, like Toulouse, Grenoble, Nancy, have science parks. Competition from other European countries for US and Japanese investment is intense. Japan is represented in Sophia Antipolis only in a joint venture.

The problem of international companies in regional locations – that they pull up and out when rationalisation descends – is always present. Sophia Antipolis must also work hard at maturing. It is approaching small town size but lacks the amenities which go with day-to-day working in an area.

The ratio of landscape to development land is generous in a bid to conserve the generally attractive environment. But that means expanding the park's boundaries to bring in cheap land for new activities. A neighbouring landowner, approached by the authorities to sell land, replied that he wants to set up his own science park, possibly with Japanese partners. The difficulty with good ideas is the ease with which they can be copied.

HD

TECHNOLOGY MARKET

TELEVISION

Never mind the method, establish the truth

There are few countries in the world where there is more liberty for the individual, greater freedom of expression, a more effective democratic process, or a better chance of a fair trial, than in England. Even if there are countries which can provide better examples individually – more liberty in Holland perhaps, greater freedom of expression in Germany, a more effective democratic process in Sweden, a better chance of a fair trial (arguably) in the US – none of those countries, and nowhere else in the world that I have heard about, can point to an unbroken tradition in such matters which is anything like as strong or as ancient as England's.

It is precisely because we are brought up to believe in the importance of that long tradition that it is so shaming today to listen to the reactions of Government spokesmen, judges, police chiefs, and others when journalists use television to cast doubt upon the justice of certain convictions. Judging by the reactions from these members of the Establishment (yes, of course it still exists) you would have to conclude that they believe it is more important for judges and policemen to avoid losing face than for justice to prevail.

Present them with detailed arguments which, in any reasonable and unbiased mind, raise doubts about the case, and they will talk about anything rather than justice: the morals of journalists, the style of the programme, the supposed politics of the programme makers. It has become standard practice now for politicians and the judiciary to lay down a barrage of bluster each time such a programme is screened. Tonight BBC1 will show another of its *Rough Justice* programmes, a series which has become very occasional indeed following vitriolic attacks upon it by judges and lawyers.

Today's programme concerns a case of rape which allegedly took place in the office of a London minicab firm. Having watched a preview it seems to *me* that the least any fair minded viewer would say is that, given the facts brought together by producers Steve Haywood and Bill Eagles and presented by David Jessel, there must now be some doubt about the rightness of convicting minicab driver Sammy Davis. Yet it will be surprising if, tomorrow, there is not the usual obscurantist chorus howling about the sins of journalism rather than a possible miscarriage of justice.

Often the chorus leader is the Prime Minister herself. After last week's programme *Who Bombed Birmingham?* about the six men who have been locked up for 16 years for the IRA killings in 1974, she declared in the House of Commons: "A television programme alters nothing. We do not have trial by television. The day we do, the rule of law will have left this country for good." On all levels those are questionable assertions. If television programmes alter nothing, then how did the Guildford Four come to be released from gaol? Is it not fairly obvious that television programmes do alter things, or at least help to, and that this is precisely why politicians are embarrassed by the medium and jealous of it? Could it be that the glamour and the clout once monopolised by politicians are now shared, willy nilly, with broadcasters and that this rankles?

Much the most important (and over used) phrase is "trial by television." Real trials on television have occurred both in this country and in the US: people who were planning to take cases to court have been persuaded instead to take them before a retired judge sitting in a television studio. Often the cases have involved disputes between neighbours or dissatisfaction with goods bought from retailers. It has made distasteful television and it is interesting that both the imported American series and the attempt to create a British clone were dropped pretty quickly. However, in view of the Thatcher assertion, the significant point is that neither series had the slightest effect upon the rule of law in British courts.

But that literal interpretation is not, of course, the sense in which "trial by television" is normally used. What really seems to rile the Establishment is the thought of a crowd of bleeding-heart journalist johnnies in suede shoes and leather jackets setting out to interfere in the due process of law. If, when they bring their whining justifications for a lot of murderous terrorists to the screen, they also turn the whole business into a cops and robbers thriller, well, that just proves what a cunning crowd of arty-crafty weirdos they are.

Against that it can be argued that in making *Who Bombed Birmingham?* producer/director Mike Beckham and his Granada team were doing what good journalists have done for centuries: serving as a last resort for people who have consistently protested their innocence yet failed to get anywhere with politicians, judges, lawyers, or police. Contrary to the impression sometimes given by choleric colonels, journalists cannot give pardons or release convicts from their cells; all they can do is put their argument before the public.

The manner in which they do this can be discussed in terms of aesthetics, effectiveness, and of course ethics. In the case of *Who Bombed Birmingham* it is difficult (perhaps impossible) to find anybody outside Granada who believes it was right for the programme to name the other men said to have committed the murders. Not only was it a highly doubtful thing to do ethically, it also – and this was forseeable, indeed foreseen – handed to television's opponents a hefty stick with which to beat the broadcasters.

That aside, however, everything the programme did can be defended. The biggest objection, and one which often seems to affect even those who accept that the Birmingham Six are probably innocent, is that the programme was not merely dramatised, but highly entertaining. In this it differed from other drama-documentaries made in an admirable tradition by Granada over the last 20 years, starting with *Grigorenko: The Man Who Wouldn't Keep Quiet*. In the past the documentary element has always outweighed the drama.

This time unprepared viewers could easily have watched from beginning to end and enjoyed a highly effective thriller (with John Hurt playing Granada researcher turned Labour MP Chris Mullin, and Martin Shaw as *World In Action* producer Ian McBride) without ever realising they were watching a true story. The instinctive feeling that it is wrong to turn a plea for justice into entertainment is much like the belief that medicine must taste vile to be effective, or that anything enjoyable must be sinful. Granada has already made three undramatised documentaries about the doubts surrounding the convictions of the Birmingham Six, and last week's programme will no doubt have attracted many more viewers.

As for the suggestion, made amongst other places on BBC2's *Late Show* on the night the Granada programme went out, that John Hurt somehow personifies integrity, and Martin Shaw carries with him sexiness and the defender-of-justice image from *The Professionals*, such objections only matter if you really do believe that television is an actual substitute for a law court and that a jury is going to be bamboozled. The most that television can do is persuade the powers that be to reconsider their decisions. Broadcasters know as well as anyone that too much slickness and commercialism are likely to harm rather than help that cause.

The Establishment view seems to be that all journalists are self serving, that all policemen are more trustworthy than all television producers, that judges are infallible, that being in prison means you are guilty, and that casting doubt on the legal system is wicked and ought itself to be illegal since it threatens public confidence. It might be as well to remember that journalists vary as much as policemen; that many middle aged, middle class people have abandoned the blanket confidence they once had in the police; and that journalism is one of the most valuable checks and balances in a free society.

In the end it is not the details of the methods used to establish the truth which matter so much, whether in television or in the legal system – it is a question of whether you trust those involved. Does experience suggest you should or should not have trusted the West Midlands Serious Crime Squad? Does experience suggest you should or should not trust the journalists of Granada television, whether they use pure documentary, pure drama, or any combination of the two?

The answers seem fairly clear.

Christopher Dunkley

Not merely dramatised but highly entertaining: Martin Shaw and John Hurt in Granada's "Who Bombed Birmingham?"

Eden

RIVERSIDE STUDIOS

The second play in this year's black theatre season switches the spotlight back to 1930s New York and the aftermath of Marcus Garvey's campaign for black nationalism. The Garveyite in this case is an elderly tyrant who keeps his family enslaved to his ideals of power through knowledge (for his sons) and perpetuation of racial purity for his daughters, to whom careers are permitted but fraternisation with "negroes" is not.

New Yorker Steve Carter steps into this dangerous and delicate domain with an eye for the comedy of the human lot that prevents his play from becoming didactic or too affronting to the large and expansive first-night audience. They guffawed as heartily when the miserable Joseph Barton takes a brine-soaked lash to his daughter's back as they did when she found her moment of delirium up on the apartment block roof with her young "nigger" lover in defiance of her father's will.

Director Alby James courts a broad humour in the first act as the Barton family are shown coping with the daily humiliations of family life: lining up to recite the day's doings as father (a nicely restrained Burt Caesar) holds court with his feet in a bowl of smelly beef brine. However, this is not a comedy pure and simple but a domestic drama lapped by a saddening inevitability.

It is inevitable that Jaye Griffiths' pretty, capable, and well-played Annetta will become pregnant by the first man she meets, just as it is inevitable that her brothers *will end up shooting craps on* the sidewalks with their American compatriots in realisation of their father's worst nightmare. Theirs is a different reality to that of their parents but it is not necessarily going to be a better one. Torn between two value systems, Annetta ends the play by pledging her unborn baby to her father who sits paralysed in a wheelchair, struck down by the shock of her desertion.

Designer Clary Salandy sets the play in neighbouring apartments of drab respectability overshadowed by a huge, symbolic bird which looks half way between an American eagle and an African vulture. The production could do with heeding this minatory note a little more, although it boasts some nice performances, particularly Sylvester Williams as Annetta's carefree beau.

Claire Armitstead

Alastair Muir

Jaye Griffiths

London Philharmonic

FESTIVAL HALL

On Saturday Simon Rattle conducted another wildly successful concert. The London Philharmonic played Berlioz, Szymanowski and Schubert superbly for him. At the end of the evening, in the cruelly taxing Finale of Schubert's Ninth, the strings still sounded so alert and crisp that they might have gone on to a few Paganini Caprices in unison, by way of encores.

As a whole it was a very speedy Ninth – though not the Finale nor even the Scherzo, doubtless because the conductor knew we expected a Rattling *molto allegro*: the effect was set by the earlier movements. The majestic introduction was taken as a brisk march (with only one big, unabashed *rit.*), and the "slow" movement was irrepressibly eager and busy. Nothing sounded heartless, for Rattle constantly injected little nuances and variations, trading upon the orchestra's instant responses.

It remained a young man's Ninth, essentially extrovert. On many readings, the Finale is a Ride to Hell, and the four repeated notes of the theme that drives it on become a fatal tocsin: here it was all exuberant and athletic. Something like that was almost true of Szymanowski's Third Symphony too, the "Song of the Night," where the climaxes were just unbridled orchestral thunder; but Rattle is acquiring a serious knack for the decadent, and the slower, crepuscular music – its textures most delicately gauged – had a fine insinuating shimmer. It was enhanced by David Nolan's solo violin, silvery and sweetly ravished.

The solo tenor was John Mitchinson, reliably lusty if unseductive, and the London Voices were velvety or clamorous as required. Earlier they had sung Berlioz's "Sara la baigneuse," a delectable little cantata for three mini-choruses, with impeccable musicianship and charm, but next to nothing of the arch French text (Victor Hugo). It wants much more articulate point. That said, however, the cantata served beautifully as programme-opener: Romantic whispers and lacery before Szymanowski's headier raptures, and then Schubert sounding particularly well-scrubbed and healthy. Rattle designs his concerts with as much flair as he conducts them.

David Murray

Fischer-Dieskau

QUEEN ELIZABETH HALL

On Monday, Dietrich Fischer-Dieskau and Hartmut Höll gave the first of their three *Lieder* recitals this week to a capacity audience. Brief, but of an expressive density which often approached critical mass, it was devoted to songs on Heine poems: six from the Schubert *Schwanengesang* collection, and Schumann's *Dichterliebe* cycle. As always, Höll was an acutely attentive partner, but ready too to match the baritone's forceful thunder in a song like "Der Atlas" or "Der Doppelgänger."

Fischer-Dieskau was on particularly commanding form, from cavernous bass declamations in "Der Atlas" and "Im Rhein, im heiligen Strome" to his version of light, youthful tones for the first songs of *Dichterliebe*. Grey and very straight-backed, he compelled one's unwavering attention no less by gestures and face than by his vocal delivery, which is now monumentally hewn. He controls an imposing range of timbre and dynamics, and uses it liberally to illuminate the sense of his songs, phrase by phrase; his unerring grasp of rhythm enables him to be free with literal tempo, too, stretching out the end of a verse.

If the deep bloom has gone from the voice, the loss was really exposed only in "Die Lotosblume" (an encore), which came across as a dry box-of-tricks. *Dichterliebe* was brilliant pedagogy, every song searchingly dramatised with burning concern for Heine's poems: too brilliant to be conventionally "moving", but rich in aggressive revelations, both verbal and musical – usually both at once. Up-and-coming *Lieder* singers in the audience must have been inspired and daunted in equal measure, though perhaps also encouraged to realise that youth is a trump where lyrical spontaneity matters. The great baritone's masterly effects are of a different order.

Each of his *Schwanengesang* numbers was an intense whole *scena*, whether heart-breaking like "Die Stadt," urgently tender like "Das Fischermädchen," or huge and tormented like his "Atlas" and "Doppelgänger." As Richard Stokes argued in his excellent programme-notes, in these last songs Schubert thrust forward into the territory of Wagner and Hugo Wolf: Fischer-Dieskau's grand dramatic sculpting demonstrated memorably how far Schubert had left the idea of the mere *Lied* behind him, and to what stern, unconsoling purpose.

David Murray

Maxwell Davies

FESTIVAL HALL

The series devoted to the music of Peter Maxwell Davies – informally titled "Max" – is now at its midway point. Before the second half of Monday's concert the composer reminisced briefly about Mahler performances in the 1950s, a time when the Ninth Symphony was regarded as so challenging in Britain that it was thought appropriate to preface the work with a spoken introduction.

The point was not lost, for Maxwell Davies was himself about to give an introduction to his own Second Symphony. By his own admission this is among his most demanding compositions; yet the music is by no means unapproachable, washed along as it is by a strong atmospheric undercurrent, which derives from the work's inspiration in a striking view of waves at play. (Mendelssohn's *Fingal's Cave* was the apt choice of overture.)

In view of the practical difficulties it is said to visit upon its performers, the symphony has had a reasonable currency. After a couple of hearings one may come to doubt the memorability of the score's basic thematic ideas, but the *music builds to its climaxes in such a* way as to convince the listener of the power of its symphonic argument, at least so long as it is in progress. The finale aspires to an almost post-romantic grandeur.

The piece also remains alluring as sound alone, with a glistening overlay of percussion at the big moments. In this respect it has similarities with another big, rich and orchestrally taxing symphony of the same period, Tippett's Fourth. Perhaps it is no coincidence that both were the product of British composers lured by the finest orchestral machines of the US, Tippett to Chicago, Maxwell Davies to Boston.

At this performance the Royal Philharmonic Orchestra under Jan Latham-Koenig gave every impression of having mastered the thrust and colour of the score. They also provided a somewhat restless accompaniment to Mahler's *Kindertotenlieder* with the mezzo Florence Quivar, deep and husky of timbre, always communicative, even where the German text was not entirely clear. The final song, incisive and dramatically sung, rarely comes across so well.

Richard Fairman

Frankie Howerd

LYRIC THEATRE, HAMMERSMITH

As we shook with laughter at a particularly fruity joke the master showed abandoned joy that he had reduced us to the level of a working men's club coach party. This three-week one-man show by the comic who has made more comebacks than the Inspector of Taxes exploits the whole range of his talents, from verbally chaotic lecturer on the nature of comedy to singing fool – his *When You're Smiling* makes smiling seem a pretty stupid thing to do.

For my money, Howerd is the greatest of all the stand-up comics. He has a real personality, the sheepish shamble, the long lugubrious face, the expression of almost total defeat when we can't get our titters out quickly enough ("Please yourselves - it's bitter outside") and the confessions of inadequacy that make it even funnier.

It was almost a pity being at the first night. You feel this show will mature like a good Cheddar cheese. He ranges through the whole spectrum of humour. He doesn't like racist jokes – "Ooh no:" and this is why he changes a joke about two Irishmen sitting on an iceberg to two Welshmen sitting on an iceberg, although one of them is unfortunately called Pat. And sex jokes? Good heavens, no, "I don't care what people do as long as they leave me alone." Then, sadly. "And they do."

Somebody has already said that it was going to be a master class in comedy. So it is and it would be nice to go every night and see it maturing like the cheese.

Alan Forrest

ARTS GUIDE

March 30-April 5

THEATRE

London

Anything Goes (Prince Edward). Cole Porter's silly ocean-going 1930s musical has four or five marvellous songs and Elaine Paige failing to emulate Ethel Merman. Jerry Zak's desperately bright production comes from the Lincoln Center in New York and is undemanding fare (734 8951, cc 836 2428).
Jeffrey Bernard is Unwell (Apollo). Tom Conti has taken over as the alcoholic journalist who embodies a Falstaffian, nay-saying life force while committing public suicide by vodka. Keith Waterhouse has stitched a fine play, the season's highlight, from Bernard's own writing, Ned Sherrin directs. (437 2663).
Another Time (Wyndham's). New Ronald Harwood play, directed by Elijah Moshinsky, about a white South African family in Cape Town and Maida Vale. Albert Finney plays father and concert pianist son across 35 years, suggesting that talent is a means of escape and a reason for not going back. (867 1116).
Aspects of Love (Prince of Wales). Andrew Lloyd Webber's latest is an intimate chamber operetta derived from David Garnett's 1955 novella. (839 5972).

New York

Cat on a Hot Tin Roof (Eugene O'Neill). Kathleen Turner, whose statuesque good looks embody Tennessee Williams' vibrant character Maggie, is surrounded by an excellent supporting cast in Howard Davies' production.
Grapes of Wrath (Cort). The Steppenwolf company's interpretation of the Steinbeck epic novel has taken a long time to reach New York from Chicago; the wait was worth it, with the 1930s brought alive in its squalour as well as its test of human strength. Gary Sinise as Tom Joad stands out in Frank Galati's adaption.
The Sound of Music (New York State). The New York City Opera performs the Trapp Family saga starring Debby Boone as Maria and Laurence Guittard as Captain von Trapp. Ends April 22.
Grand Hotel (Martin Beck). Tommy Tune, Broadway's present musical doctor, directs this remake of the Garbo film to at least shake the bones of this inert depiction of lives criss-crossing in an elegant, but somewhat random setting (246 0102).
Sweeney Todd (Circle in the Square). An intimate production of the Sondheim-Wheeler musical in contrast with the elaborate original a decade ago emphasises the descent into madness of Bob Gunton as the demon barber of Fleet Street (239 6200).
Lend Me a Tenor (Royale). A sprucing up in the set of a decaying town's big time opera ambitions makes a transatlantic hit of this farce, first produced in London, but now with a local cast led by Philip Bosco and Victor Garber (239 6200).
Jerome Robbins' Broadway (Imperial). Anyone attracted by the notion of three hours of film trailer previews will adore this compendium of Robbins' directed and choreographed plays of the past 40 years, including On the Town, West Side Story and Gypsy. The lustre of the credits is dimmed by the brevity of each piece, with a contemporary crew of Broadway aspirants who lack the multi-talents that inspired the heyday of the musical.
Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (239 6200).
M. Butterfly (Eugene O'Neill). The surprise Tony winner for 1988 is a somewhat pretentious and obvious meditation on the true story of the French diplomat whose long-time mistress was a male Chinese spy (246 0220).

Washington

Stardust (Eisenhower). Betty Buckley stars in a new musical compendium featuring the music of Glenn Miller, Duke Ellington, Hoagy Carmichael among others. Ends March 25 (467 4600).

Chicago

'Tis Pity She's a Whore (Goodman). Jo Anne Akalaitis of the Mabou Mines troupe directs John Ford's classic about incest, set here in Italy of the 1930s. Ends April 7 (443 3800).
Steel Magnolias (Royal George). Ann Francis and Marcia Rodd play the leads in this view of southern life from under the dryers in a busy hairdressing establishment (988 9000).
I'm Not Rappaport (Briar St). Shelley Berman, one-time stand-up comic, now plays Nat, Herb Gardner's memorable Central Park character who gags his way through the 1986 Tony Award winner (348 4000).
The Good Times are Killing Me (Body Politic). This City Lit production of Lynda Barry's first play captures an American childhood with poignant zaniness (871 3000).

Tokyo

Kabuki. Kabuki-za (541 3131): two lavish mixed programmes (11am, 4.30pm) to mark the 50th anniversary of the death of the great Kabuki actor Utaemon V. Among those appearing is his son, 76-year-old Living National Treasure Utaemon VI. The highlight of the evening programme is Kago Tsurube, a famous 19th century play about a country bumpkin who falls in love with a courtesan, with tragic results. Excellent earphone guide in English and English-language programme. Ends April 25.
King Lear (Tokyo Globe Theatre). The Renaissance Theatre Company, led by Kenneth Branagh, (with Richard Briers cast surprisingly in the title role). (360 1151).
Hamlet (Ginza Hakuhinkan Theatre). Yuri Lyubimov's controversial production was originally seen in Britain and has since been on a world tour. The acting tends to be upstaged by the continuously moving curtain that dominates the set (535 0555).
Hanshin (Theatre Apple, Shinjuku). Revival of the 1988 play by Hideki Noda, the darling of Japan's fringe. Wordplay, frenetic action and acrobatics form the basis of Noda's style, and can be enjoyed by those with only a minimum of Japanese (5478 0771).
Ain't Misbehavin'. Lively Broadway revue and 1978 Tony award winner, based on the music and times of the late great Fats Waller. MZA, Ariake (529 5167).

SALEROOM

Japanese buying slows down

Christie's was quite happy with its major spring sale of Impressionist and modern pictures on Monday night. It totalled £34.5m, with 21 per cent unsold, the major casualty being one of Miró's "dream" works of 1925, bought in at £1.3m. A Monet landscape of Amsterdam, which should have been the most expensive picture at over £3m, was withdrawn just before the auction.

Given the fall in the value of the yen, and of the Tokyo stock exchange, there were worries that the market might crack, for the Japanese have become major buyers. In the event sensible estimates ensured that most of the major pictures sold on target, suggesting that demand and supply are in balance at more reasonable prices than were apparent last year. However, Japanese buying halved to 17 per cent in value compared with last November.

A late, 1960, painting by Picasso of the night time view from his home in Cannes made the top price of £2.42m and a nude of the same year went for £1.925m. The most interesting lot, an early self-portrait painted by Manet when he was 22, beat its top estimate at £1.37m. The current interest in Fauve painting was shown in the £1.76m paid for a Vlaminck of the Seine at Chatou.

But if the main sale passed off satisfactorily, yesterday morning's auction of watercolours and drawings came badly unstuck, with a total of £2.15m but an extremely high 57 per cent unsold. Here the Japanese dealers are usually big buyers. Perhaps they are now sitting on stock at home that they are worried about selling. However, an unusual Modigliani pencil drawing of two lovers went to Japan for £330,000 as against a top estimate of £30,000. A Gauguin watercolour drawn around 1892 on his first visit to Tahiti, was on target at £264,000. There was some consolation in the afternoon when a work by a "forgotten" artist was chased up to £253,000, as against a top estimate of £60,000. It was a flower painting by Adolphe Monticelli, who was so admired by van Gogh that he acquired some of his output.

Continuing its obsession with things Russian, Sotheby's continental book and manuscript auction on April 26 includes 400 love letters written by Alexander II to the young Princess Catherine Dolgoruka, with whom he fell in love when he was 47 and she 18 (estimate up to £80,000). They were married morganatically in 1880, a year before he was assassinated.

Antony Thorncroft

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Telephone: 01-873 3000 Telex: 922186 Fax: 01-407 5700
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Hard choices over Gemu

POLITICS and economics make uneasy bedfellows. Rarely can the conflict be sharper than it is in Germany today. Quite understandably, East Germans want their western cousins' wealth – and right now. But the promise of paradise now would militate against their attaining it ever.

Mr Helmut Kohl is aware of the dangers, remarking to the FT only a few days ago that "there is no point being applauded by people for ostensibly taking a social line, and then facing six months later a catastrophic economic situation." But the impression he gave during the East German election campaign was somewhat different.

No wonder there is already a political backlash against the proposals put forward by Dr Karl Otto Pöhl, president of the Bundesbank. However sensible, these are bound to disappoint East Germans. They are going to have to work for their "miracle:" it will not be handed to them on a platter made in Bonn.

Two facts underpin these proposals: first, the West German government will not increase federal taxation to subsidise East Germany. Secondly, East German industry is even more inefficient than supposed even a few months ago, with industrial output per head as little as 30 per cent of the West German level.

Market forces

If the liabilities and assets of the East German financial system were converted at one to one, much of East German industry would go bankrupt, closely followed by the financial system. Making up the value of East German savings might cost the West German taxpayer up to DM100bn. The proposed conversion of one-to-one for sums up to 2,000 East Marks and two-to-one thereafter would cost much less. East German savings would remain liquid and the total broad money supply would also grow by only about DM100bn (some 10 per cent), which would limit the inflationary danger.

So far as prices, wages, pensions and unemployment benefits are concerned, the important distinction is between those set by government and those that will ultimately be determined by the market. For the former, the sensible suggestion is that they should be related, although generously, to average East German incomes. For the latter, an adjustment process that starts from hyper-competitivity, as proposed by Dr Pöhl, would certainly be far easier than one that starts from its obverse.

Low wages

Under two-to-one conversion, average East German wages would initially be only one sixth of the West German level (although real wages would be closer because of low East German prices for non-tradeable goods and services). These low wages would not only allow many East German enterprises to survive the initial shock and start adjusting, but would also ensure a substantial incentive for inward investment.

Real wages would be driven upwards both by market pressures and by comparisons made with those working across the "border" but productivity would have a chance to keep pace. The gap between wages in east and west would be closed fastest for skilled labour, so increasing wage differentials in the east. Mr Kohl might then see prosperity in the five years he hopes for.

While prices of non-tradeable goods and services would also rise, they would remain lower than in West Germany. The purchasing power of wages would be far closer together than the nominal wages that would matter to investors. This should stem migration, which would be further curbed by a decision to remove the special benefits for migrants that encourage East Germans to search for jobs in the West.

Dr Pöhl's proposals would meet the political objective of protecting savings, while allowing real income equalisation to be driven by the market rather than be politically imposed. The latter could make East Germany the Mezzogiorno of the new Germany. The challenge for Bonn is to impose the economically sensible solution, even though it will make East Germans temporarily poor and uncomfortably competitive.

The reshaping of giants

THE NEWS that British Telecom is planning a wholesale reorganisation, involving the loss of up to 4,000 management jobs, has inevitably suggested parallels with BP, which is also in the process of pruning itself.

In the sense that two of Britain's largest companies are slimming hard in order to compete more strongly against international rivals, and to give their shareholders a better return, there is obviously a resemblance – as there is in some of the solutions which they are adopting to their organisational problems.

Both companies are trying to grapple with a dilemma which confronts very large companies all over the world: how to slough off their unnecessary activities, and reduce their bureaucracy, without losing the advantages of scale.

But the dissimilarities far outweigh the resemblances. BT is at least a decade behind BP in professionalism of management, clarity of strategy, and sophistication of organisation. It will have to close the gap rapidly if it is to achieve its ambition of joining BP as a serious player on the world stage.

First, the similarities. Like many other multinationals, BT and BP have both decided to simplify their matrix structures by shifting the balance of power from geographic units to divisions: BT by consolidating its 27 local UK districts into two of its four new central divisions, BP by removing operational power from its regional barons – including in Britain – in favour of its own four existing international divisions (which it calls "business streams").

'Delayering' process

Both companies are also removing several levels of management – "delayering," in today's ugly jargon. They each have up to a dozen such layers. And they are striving to create a more informal and flexible culture among their managers, so that they become more reactive to customers, to regulatory changes, and to other outside influences.

But there the parallels end. First, and most obviously, the two companies' starting points on almost every dimension are far apart: BP is very much more international, competitive, and competent than BT.

BP started the long process of shedding its civil service mentality a decade ago, whereas BT still reeks of it, in spite of its efforts to become more businesslike over the last couple of years. A measure of this was the comment by a senior BT manager that he hoped the reorganisation would stop managers feeling that they are only permitted to communicate with people one level above or below them.

Decision time

Second, BT has only just decided what business it really wants to be in, and started selling its misguided past diversifications. BP had virtually completed that process several years ago, along with other leading multinationals.

Third, BT intends to reinforce its reorganisation mainly by extending its existing training schemes for the improvement of employee motivation and performance, including a "total quality management" approach that has yet to prove wholly successful. BP, in contrast, is introducing an ambitious three year "culture change" programme right across the company which goes well beyond such techniques as TQM.

Indeed, BP's entire reorganisation is much more a matter of culture than structure, as was explained in a series of articles on the FT's management page which concluded last Friday.

Lastly – in what could prove a major handicap as he initiates a daunting period of change – BT's executive chairman has failed to carry with him his second-in-command, who is leaving the company. BP, on the other hand, has kept its top pair harmonious and intact.

As a result it now possesses one of the most able and proven leadership teams in the international oil industry. That cannot yet be said, in its own sector, for BT. Yet, as General Electric and Ford have demonstrated in America, the championing and execution of organisational revolutions depend very much on strong team leadership. BT has a very hard task ahead of it.

John Gapper reports that innovations in the financial sector have not been matched by other service employers

The high price of customer contact

MRS Chris Wharton smiles at a shopper in J. Sainsbury's supermarket in Stevenage as she passes her goods across the laser scanner of her till and places them in a plastic bag. A packet of frozen beans takes five seconds, a carton of yoghurt 1.2 seconds. The smile is not measured.

Mrs Wharton is operating one of six tills being tested at the store in Hertfordshire, which allow the operator to pack shopping as well as scan it. The till reduces her output by a third: she scans 14 items a minute instead of 21. But young parents and older shoppers like these tills, and the company is to install more.

As Sainsbury has expanded over the past 10 years, the speed at which its employees process items has steadily fallen. More people have been hired to staff in-store delicatessens, bakeries, and cigarette kiosks. More of their time is taken up by training. Shelf packers are told to respond more readily to "customer interference" – shoppers asking for help.

Sainsbury's experience is typical of Britain's service industries. Although the value of goods handled by each Sainsbury employee has risen by 3 per cent a year, it and other service companies have not matched the increase in productivity seen in British manufacturing in the past decade. As output has risen in retailing and hotel and catering, the service has become more complex and the number of staff has grown.

The thirst for staff created by increasing complexity and quality of service is one reason why retailers have lagged behind manufacturers in measured productivity growth. Hotels and restaurants have been even more cautious about automation. Customers will pay more to be served well; machines cannot cook food or clean rooms as well as people.

The story has been different in financial services. At 3am, on an industrial estate three miles south of Leeds, Ms Adele Boudouko takes a call from someone wanting to open a bank account. She types his name and address on a keyboard, and a Bull computer known as a "fulfilment system" spits out a letter on a laser printer in less than a second.

Ms Boudouko is working for Firstdirect, the first "direct bank" in Britain. Following smaller-scale experiments in telephone banking in Scandinavia and Holland, Midland Bank has set up Firstdirect to divert labour and capital savings into better rates for customers. Costs are held down by having a single base, and carrying out all processing centrally.

Innovations of this sort help explain why financial services companies have made consistently greater productivity gains than other service employers. Government measures show output per worker in some services stagnating or even falling in the 1980s, while that in manufacturing leapt ahead. Forecasts over the next decade are almost as gloomy.

Research for the National Economic Development Office by Warwick University researchers suggest that productivity growth in hotels and catering was "virtually non-existent" between 1980 and 1988. Output per person hour in miscellaneous services fell by 2.7 per cent in the same period, in manufacturing it rose 4.8 per cent.

Although British services performed no worse than in most other industrialised countries, the dip in the UK economy has re-focused attention on this flaw in the British productivity "miracle" of the 1980s decade. The lag in service productivity worries many companies because of the growing pressure on both output levels and the cost of labour inputs.

Sainsbury is not like Ford . . . it does not want speed on the tills that makes the customers feel they are being chucked through

Labour costs are rising uncomfortably fast for many service companies, whose wage bills are a high proportion of total costs. Sainsbury's 1989 wage bill of £606m outstripped its capital expenditure of £503m. In contrast, the wage bills of many engineering companies have fallen to between 5 and 15 per cent of total costs.

The scarcity of people in a tighter labour market creates problems for service employers who have accepted high staff turnover in the past. Sainsbury's turnover has risen to 40 per cent in the past two years, and the company responded by raising the wages of its 60,000 supermarket staff between 8.5 and 20 per cent in March.

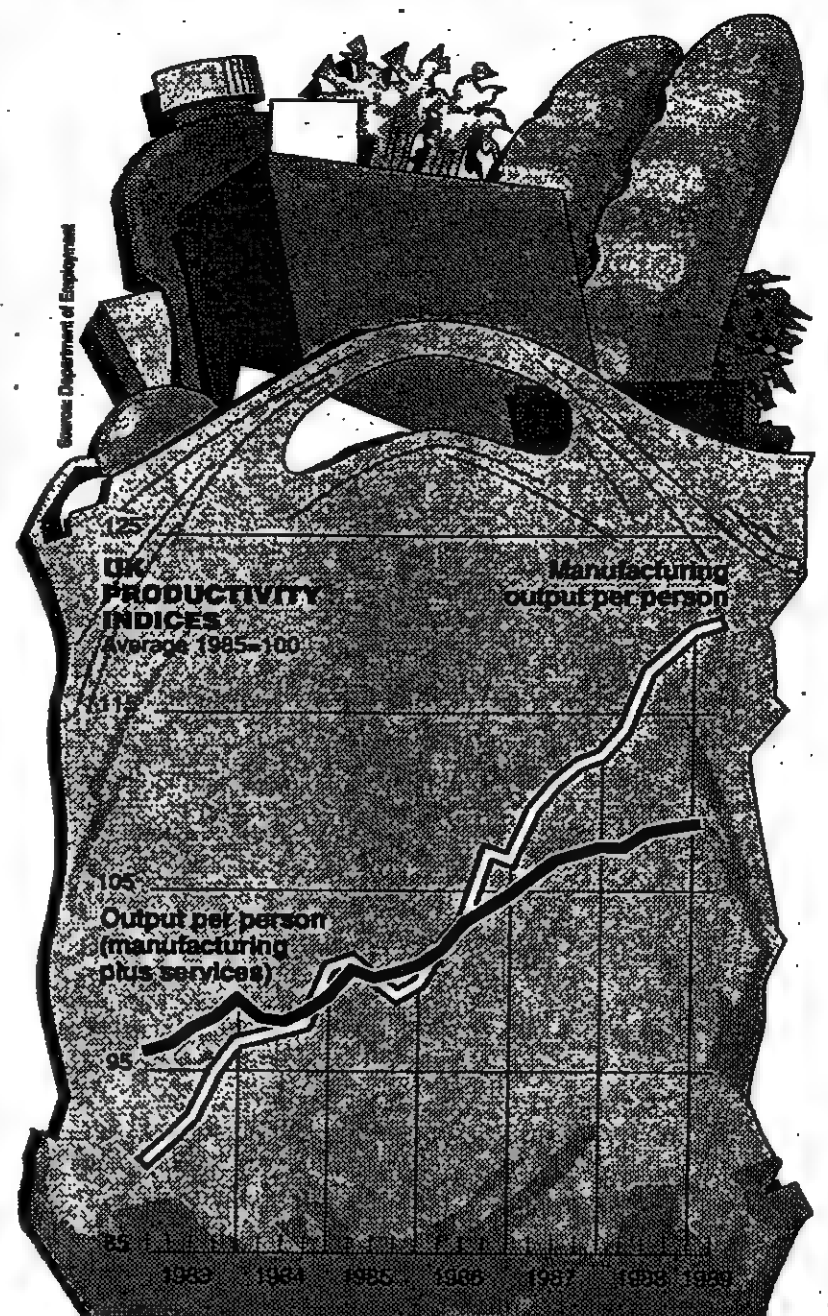
Service companies are competing strongly for business amid a fall in consumer spending. Mr Graham Laws, a director of Hay Management Consultants, says the pressures in retail banking are comparable to those faced by manufacturing companies a decade ago.

These pressures will give companies a strong incentive to improve productivity. But the question remains as to why they have not done better in the past. Mr Ken Mayhew, NEDO economic director, says he can see "no intrinsic reason" why service sector productivity growth should have been slower than in the economy as a whole during the 1980s.

One suggestion is that many service companies, unlike manufacturers, do not want to speed up their operations.

"We are not like Ford. The last thing we want is to get up to a speed on the tills that makes the customers feel they are being chucked through," says Mr Stuart Carter, Sainsbury's district manager for the Stevenage store.

The substitution of machines for people in the manner that robots have replaced line workers in motor vehicle plants has so far been impossible in many service industries. Retailers and hotels and caterers rely on staff intervention to provide the quality of service and response to customer needs on which increasing emphasis is being placed.



In these industries, companies face a paradox: by improving quality they often lower productivity. Measures of ouput such as the flow of items through a supermarket ignore how well customers are treated, and the quality of the goods. Hiring more staff to take care of customers or bake fresh bread raises labour input without any measured output rise.

Sainsbury's internal productivity measure is the amount of staff time needed per item passing through the tills. Each branch needs a fixed number of staff hours a week just to open, plus a variable number of extra hours depending on the number of items sold and the time spent on each item.

The company has raised both constant and variable figures by allocating more time to customer service, installing bakeries and delicatessens, and stocking more hard-to-handle bulk items. "In strict terms, our productivity is dropping, but it is cost-effective to do these things," says Mr Stephen Biddiscombe, branch productivity manager.

Mr Mayhew says the difficulty of gauging output quality means many productivity measures used by service companies are "a very long way" from being accurate enough to worry about. "If a company got too hung up on physical productivity and ignored quality, it could store up a lot of misery for itself by moving downmarket accidentally," he says.

That view is shared by managers at Commonwealth Hotels, the UK holder of the Holiday Inn franchise. "If we just measured the percentage labour cost on its own, we would look a bit foolish," says Mr Jan Hubrecht, operations director. Nonetheless, the company has re-designed both work patterns and hotels to cut the number of staff needed per room.

At its Swansea hotel, which opened last summer, it has only 0.52 members of staff per room compared to a standard 0.76 at its other hotels. The labour saving has been made partly by cutting the number of supervisors and paying junior staff more to take more responsibility, and partly by designing the hotel to reduce the number of separate serving areas.

Such a productivity gain is exceptional. According to Government figures, productivity in the hotel industry rose only 0.3 per cent a year between 1979 and 1986. Although this may underestimate quality gains, a gulf clearly remains between the productivity improvements achieved in hotels and the progress in some financial services companies.

Mr Richard Barras, a partner in Property Market Analysis, the research group, says financial services have made big productivity rises because they have been able to automate the broadest range of tasks. Since they are processing bits of financial information rather than baked beans or hotel guests, it has been easier to sacrifice human intervention.

The financial services companies that have made some of the most rapid productivity gains have done so by splitting off operations that do not involve customer contact, and automating them. Midland Bank is removing the clearing of cheques and credits from its 1,970 branch back offices and transferring it to eight processing centres.

This division of labour between customer service tasks and technical ones allows large productivity improvements. Only 200 people will work in each of Midland's eight "district service centres." Some 60,000 cheques and vouchers an hour can be processed, compared to 300 an hour in a branch. All back office work could eventually be removed from branches.

It also alters the definition of service quality. American Express pioneered data processing "factories" in the US; and runs its European operations from such a centre in Brighton. It measures service quality as "timeliness and accuracy" in performing 12 standard tasks including replacing lost charge cards and posting statements.

The speed and accuracy of computers is integral to American Express. Similarly, Standard Life, the insurance company, tries to minimise human interference in data handling after the initial customer contact. Mr Sandy Crombie, operations general manager, says automation has allowed the company to raise output by a factor of five or six over 10 years while only doubling its staff. He wants sales staff to use computers rather than paper in order to minimise the risk of human error.

The company is investing in a computer imaging system that will end the use of paper files in its Edinburgh head office. Instead of the 45,000 paper files now open there, all paper will be scanned and facsimiles stored electronically. The central computer will send electronic files to the best qualified clerk who is free.

The precision of computers in controlling and performing data processing tasks is appreciated by Mr Chris Thom, Midland's central operations director. Mr Thom says the bank's district service centres provide "a very nice environment." He says: "It is unusual because you can check everything that is done."

The service centres are gradually pulling data processing work out of Midland branches, leaving staff trained to serve customers with no other responsibilities. Unlike the impetus towards multi-skilling that technology is creating in many manufacturing plants, Midland's computers are splitting its multi-skilled workforce into specialist grades.

This drawing of work into data factories mirrors what happened in the textile industry during the industrial revolution. Mr Barras argues that financial services are in the vanguard of a second revolution, and information technology will allow services to move away from a "pre-industrial" pattern of production in which two thirds of capital stock was tied up in networks of expensive buildings.

While innovations such as interactive electronic networks allowing "home shopping" may allow retailers to mimic Firstdirect by cutting staff and buildings, productivity leaps without sacrifices in service quality remain distant. Buildings and staff are indispensable to a hotel chain; a haircut requires a barber's undivided time.

For many service companies, raising productivity is likely to remain only one of a set of production aims. They will be wary of automating tasks unless they can be sure that quality will not deteriorate. They will continue to hire more staff than strictly needed to pack shelves and check out items. They will not risk the unmeasured smile.

OBSERVER

Now it can be told

■ Anthony Simkins no longer has any objections to it being known that he used to be Deputy Director-General of MI5. The reason is that his book is finally coming out tomorrow, having been held up for several years by the Prime Minister because she judged that the time was not yet ripe.

Simkins joined MI5 after active war service in 1945 and retired in 1971 at the age of 58. He was then commissioned to write the official history of security and counter-intelligence during the second world war.

Since he had no direct experience of intelligence in the period involved, a tremendous amount of archival work was involved. The book took 10 years to finish.

Then it ran up against Margaret Thatcher. Simkins insists that he has no grievance about this. He has never been quite sure of her motivation, but thinks that she did not want to "throw stones into pools" at a time when there were quite a lot of other intelligence matters around: the Anthony Blunt affair, for example.

Later there was all the stuff about Peter Wright and Spycatcher, which again meant unripe time.

The book was partly rewritten with the help of Professor Sir Harry Hinsley, the former Master of St John's College, Cambridge and former Vice-Chancellor of the University. Simkins says that he was grateful for this professional advice, which led to substantial revisions in the writing. But he adds that "absolutely nothing" has been withheld.

Now that the Wright affair has subsided, publication is judged to be safe, though Simkins says that he is largely guessing that this is the reason.

The book throws new light on inter-service rivalry between M15 and M16 during the war, as well as on the debate over whether there should be one service or a unified organisation. The chapters on control of domestic subversion are also new.

The book's title is British Intelligence in the Second World War: Vol IV, Security and Counter-intelligence,(HMSO, £15. One more volume in the series is still to come: Professor Sir Michael Howard on deception. That, too, was blocked and is now freed.

Longest train

■ New entries to the Guinness Book of Records tend to be bizarre affairs, like the man from Bristol, Pennsylvania who has been admitted as the world's most tattooed man with 8,960 individual tattoos as of December 4 1989. Here, however, is an entry worthy of wider notice.

On August 26-27 last year, South African Transport Services moved the world's longest and heaviest train. It had 660 wagons, weighed 69,393 tons and travelled 535 miles from Sishen in the north of the country to Saldanha, just above Cape Town. The train was 4½ miles long.

Banker's bets

■ I took a series of bets on Monday evening with a very senior, rather conservative, well-travelled German banker. At least two of them I expect to win.

The banker bet that after the federal elections in Germany on December 2 Helmut Kohl will no longer be Chancellor. My banker friend, a staunch Christian Democrat, said that Kohl had blown his chances overnight by appearing to go along with the Bundesbank's proposals for a two to one exchange rate between the East German Mark and

"Was that an earth tremor or the Tokyo Stock Exchange?"

the D-Mark. He argued that the East Germans had voted in their elections for one to one. If they cannot have it, the outflow of East Germans to the Federal Republic will again accelerate, and Kohl will suffer electorally.

The second bet was that not only will John Craven have ceased to be a member of the board of the Deutsche Bank in three years' time (I am sure that is right), but that he will not be replaced by another Briton. My friend said that it was wholly against the Deutsche Bank's culture to have non-Germans on the board, that only a gesture had been made to Craven when Deutsche bought Morgan Grenfell, and that the bank would get rid of British representation at board level as soon as possible. I said that I assumed the Deutsche Bank would learn to become more international.

The third bet was more questionable. The conservative German banker wagered that after the next British general election Neil Kinnock will be Prime Minister. I bet on Michael Heseltine, but insisted that whereas the bet on Kinnock was a straight one to one, if Heseltine is the Prime Minister *after the election, I shall* win by 10 to one. That seemed a risk worth taking, since it is quite possible that it will be neither Kinnock nor Heseltine.

The bets have gone into the safe of a German bank, duly witnessed by another German banker.

Tabagisme

■ France has been a tardy recruit to the campaign against smoking, not least because the production and distribution of cigarettes are in the hands of a national state monopoly, the SEITA. Last month, after a heavy behind-the-scenes battle between the Ministries of Health and Finance, the Socialist government of Michel Rocard finally announced a 15 per cent increase in the price of cigarettes – as from next year, and a ban on all tobacco advertising – as from 1993. Rocard himself is a heavy smoker.

Now a new ally in the war against tobacco addiction is at hand: the divorce court. Last month, the Court of Appeal in the northern city of Douai granted Jeannine Hochepied a divorce from her husband on the sole ground that he was an excessive and unrepentant smoker of cigarettes.

Some people, and not just cigarette-smokers, may think that this was a disproportionately harsh conclusion to 36 years of marriage. Hochepied said that he smoked "only" 30 cigarettes a day. But the Court at Douai dismissed his defence. It accused Hochepied of being guilty of "tabagisme effréné", which means "unbridled tobacco-addiction".

Down to earth

■ Ad in a Norfolk newspaper: "Young person required for light duties on local farm. Good wages, peasant working conditions."

One for all and two for one

David Goodhart examines Germany's political dilemmas over economic and monetary union

Fortunately for the West German Government, the world's financial markets seem to have toned down their initial pessimism about the inflationary effects of German economic and monetary union (Gemu). The current political jockeying over the appropriate conversion rate for East German Marks might well revive it.

Ever since Mr Helmut Kohl's offer on 19 February of quick monetary union there has been a strong sense of Gemu policy being made on the hoof.

First, that initial offer was not properly co-ordinated with the Bundesbank, which retains a constitutional responsibility for price stability, but appeared to be a response to the rising flow of emigrating East Germans.

Second, in pursuit of election victories first in East Germany (achieved last month) and next in West Germany (coming up in December) Mr Kohl has not been inclined to deliver sermons on the pains of re-unification.

It is true that he was careful not directly to promise a general conversion rate of one to one during the East German election campaign, but he did express "sympathy" for such a policy, and at an election meeting in Cottbus he promised a one to one conversion for "small savers".

The result is that East Germans have got the strong impression of having been promised a one-to-one conversion rate, and West Germans have repeatedly been told that they will not have to pay anything for union.

There has never been any doubt in the minds of big business, the banks, and above all the Bundesbank, that such a rate would hamper the emergence of an efficient East German economy and increase inflationary pressures.

Immediately after the East German election, business spokesmen started saying publicly what they had previously been saying privately – "one-to-one is economic nonsense."

Then, last Thursday, the Bundesbank, attempting to reassert some control over the GEMU process, made its recommendation of a two-to-one conversion – excepting only 2,000 East German Marks of savings per head which could be converted at one to one. The recommendation leaked, almost certainly from the Finance Ministry rather than the Bundesbank, and a political storm broke over the Bonn government's head.

The Bundesbank, flanked by most of the West German economics profession, argues that a one-to-one conversion rate would be fatal for two main reasons:

● Converting the 160bn East Marks of East German savings and wages at one to one, would create a surge in Deutsche Mark demand without a corresponding increase in productive capacity, and thus increase inflationary pressures. Some economists argue that even two to one is far too generous, in relation to East German productive capacity.

● The East German corporate sector would face enormous liquidity problems if it had to start paying DM interest on its collective debt of 260bn East Marks while at the same time paying wages in Deutsche Marks.

A one-to-one conversion would create several other difficulties, including over-rewarding the foreign holders of East German Marks. But the two fundamental problems are inflation and competitiveness. Both problems would rebound on the West German economy through imported inflation or through having to carry the costs – through unemployment benefit – of the lack of competitiveness.

Despite the economic logic of a two-to-one conversion it will point up the enormous social gulf between the two Germanys. Average East German wages – about 1,000 East Marks a month before tax – are already about one third of West German levels. With a two-to-one conversion, they would be one sixth the level and might thus encourage a new wave of emigration. The average pension in East Germany – about 480 East Marks a month – is currently even less than one-third West German levels.

But supporters of two-to-one argue that these problems can be dealt with separately.

The Government has already spoken about a DM200 a month top-up for wages, paid by a central fund rather than by businesses, to compensate for the removal of price subsidies. East German workers will also be earning too little initially to have to pay income tax. On pensions, Bonn has pledged itself to raising them gradually to 70 per cent of the wage level rather than the current level of 45 per cent.

All of this should ensure that there is no loss, and even a slight increase, in purchasing power. The Bundesbank also points out that the one-to-one conversion of savings at 2,000 East Marks will cover almost half of all savings accounts and thus abide by Mr Kohl's only firm pledge of one to one for small savers.

Nevertheless, the Kohl Government is now in a political bind, although not a fatal one. It would be let off the hook if the constitutionalists could prove that the Bundesbank has the legal right to control the conversion rate, but although the arguments are a bit misty it seems that it does not have that right. Mr Kohl will probably stick to the Bundesbank's recommendation but – under pressure from the Free Democrats, the junior coalition partners – increase the one to one conversion on savings and perhaps make a few other exceptions. The "social union" top-ups will also now have to be more generous.

The result will be a somewhat costlier and more inflation-prone GEMU. Instead of the necessary pain of union coming sharp and early for the East Germans it will be blunted and lengthened. West Germans will have to pay more too, if not through higher taxes, then through higher public borrowing and inflation.

There may be a political price to pay too. Last month's election result made negotiations over unity easier and thus seemed to pull together the two Germanys, the conversion row is starting to pull them apart at a time when there are already enough difficulties forming East Germany's first government. The row may also effect the morale of East Germany's future entrepreneurs. The craftsmen and small businessmen, from whose ranks the future big businessmen will rise, have most to lose from a two-to-one exchange rate for savings as they are the people with the fat savings accounts.

Some analysts believe all this to be a fair reward for the cynicism of a government which clearly did encourage the East Germans to believe that GEMU was going to be painless. Others believe it is not so much cynicism as muddle which has characterised thinking in Bonn.

As one senior European diplomat in Bonn says: "The political class has not had to think about financial matters since Ludwig Erhard so they have been completely unstrategic." Mr Kohl, the diplomat adds, should have set a proper "five-year plan" framework for GEMU weeks ago "but he is not interested in policy, only in politics."

Mr Kohl may also have over-estimated the willingness of West German industry to drop everything and head to Leipzig or Dresden.

"If wages are too high or we don't get the right legal framework we won't invest as much as we should," said one business leader. East Germany is currently swarming with West German businessmen all making elaborate plans. But lack of certainty about economic laws, property rights and now conversion is holding them back from concrete commitments.

However Mr Kohl's luck will probably hold. Unofficial estimates from the Bonn Finance Ministry suggest that higher than expected growth – partly stimulated by the new demand from East Germany – will increase tax revenues by more than DM 100bn over the next three years. The extra growth may be slightly inflationary but such a tax present will at least help keep down the public borrowing that will otherwise be required to pay for the social and other costs of union – estimated at between DM 15bn and DM 50bn a year.

Officials also point out that the DM 40bn a year that is spent on grants and tax breaks for West Berlin and the West German side of the inner-German border can be phased out or at least transferred to where they are really needed in East Germany.

There remain two complicating factors: the world economy and the people of East Germany themselves. If the world economy was to turn down sharply that would clearly have a negative effect on the merging of the two Germanys. And if the East Germans feel they are merely pawns in someone else's political game they may not be in the mood to create a new economic miracle.

David Hunt puts the Government's view of the uniform business rate introduced this week

Reform aims to remove regional distortions

OF THE two main elements in the Government's reform of local government finance, the community charge has not, surprisingly, dominated press and public attention.

It affects virtually every adult in the country and was bound to take the centre stage. But no less important is the simultaneous reform of business rates throughout England and Wales.

The re-shaping of a tax, which raises some £10.5bn a year, is of vital concern to every business.

Two changes to business rates took effect this week. They will not increase the overall rates burden on business, but they will distribute it more fairly.

The first change is the revaluation of non-domestic rates, the first since 1973. The new rateable values are based on up-to-date rent levels for different types of property in different areas.

The old system allowed councils to shift part of the burden of their extra spending onto businesses. Some high-spending councils – invariably Labour-run – did so without much care

The need for such a revaluation had become inescapable and to have ignored it any longer would have been to condone the mounting unfairness, whereby businesses in less prosperous regions of the country subsidise those in the buoyant south-east.

Revaluation accounts for about three quarters of the total shift in the rates burden now occurring.

The second change is the substitution of locally-fixed business rate poundages with a uniform poundage set by the Government across all England.

The old system allowed councils to shift part of the burden of their extra spending onto businesses. Some high-spending councils – invariably Labour-run – did so without much care, with good reason to suppose that they were not fully accountable to their business rate payers.

Partly as a result of this, business rate poundages varied enormously: in 1989/90 from 122p in Conservative Kensington and Chelsea to 400p in Labour Sheffield.

Such a wide variation distorted the competitive position of businesses. A uniform poundage across the country removes these distortions, allowing businesses to compete on a level footing wherever they are located.

The gains from the switch to the uniform poundage are greatest where Labour councils had previously forced up business rates.

In Sheffield, for example, businesses will experience a 35 per cent reduction from this aspect of the system alone. In London, too, Labour's onerous legacy to business will be swept away. In Haringey, for example, the poundage will fall by over 32 per cent and in Brent by almost 29 per cent.

In England, the uniform poundage the Government has set for 1990-91 is 10p to 15p below some of the wildest forecasts made for it last year.

From this figure, the uniform poundage will never increase by more than the Retail Prices Index – the law forbids an above-inflation rise – although we have the power to raise it by less.

This invaluable statutory guarantee is of benefit to all businesses, whatever the immediate change in their bill. It provides an element of stability which will permit real forward planning.

This is a far cry from the old system with its unpredictable and swingeing rates hikes – 57.4 per cent in Ealing in 1987-88, for instance, or 55.7 per cent in Haringey last year. And, of course, companies had to cope with these rises overnight.

Where businesses do face larger bills, our transitional arrangements afford a substantial measure of protection.

They will limit rates rises for most businesses to 15 per cent a year in real terms, with larger properties having increases capped at 20 per cent before inflation. The larger gains will be phased in too.

Most gaining businesses will see falls in their bills of 15.5 per cent in real terms in 1990-91, growing to 18 per cent the year after, while the larger business properties will have their gains limited to 10.5 and 13 per cent respectively this year and next.

Overall, once the new system is fully in place, the effect will be to shift almost £900m of rate burden in real terms from the north and Midlands to the south.

Even allowing for transition, businesses in those regions will benefit from a £200m fall in their combined rate bill in the first year. This is a good measure both for stimulating economic growth in our less prosperous regions and for relieving development pressure in the south-east.

Of course, individual businesses facing rises will not welcome them. To put matters in perspective, however, rates typically account for only about 1-2 per cent of turnover. Rent is a far more significant business cost.

Moreover, there is an inverse relationship between rent and rates, because most businesses

'I welcome the beneficial effect of these reforms on inner urban areas. Businesses in our 57 Urban Programme Areas will find their combined rate bill falling by £508m'

take an overall view of occupancy costs. Where rates rise, therefore, this will tend to exert a downward pressure on rents.

As Minister for Inner Cities as well as for Local Government, I welcome in particular the beneficial effect of these reforms on inner urban areas. Businesses in our 57 Urban Programme Areas will find their combined rate bill falling by £508m – 16 per cent – this year.

At the time of any major reform, we are bound to hear most from those who do less well, and we have done.

The heartfelt sighs of relief from those who at last see an end to the unfairness inflicted on them are always quieter. But in many parts of the country, and in many thousands of businesses, they will have been making themselves heard this week.

The author is Britain's Minister for Local Government.

LETTERS

Less legal mind wanted in planning decisions

From Mr Robin Thompson.

Sir, Justinian's article on the Mansion House redevelopment case ("Planning laws limit court intervention," April 2) carries the argument about judicial intervention in the planning process in quite the wrong direction.

We need less court intervention and not more.

Does there really "lurk a public desire for the greater even-handedness and expert evaluation of evidence relating to the substance of the dispute over planning permission that are generally associated with the judicial mind?"

Planning in this country is a very discretionary activity which seeks to place high value on public comment. The remorseless legislation of the planning system has removed opportunities for participation by lay people further and further.

More and more appeals are being lodged. A planning application, which might have been the subject of lively public meetings and democratic debate in committee, is then removed to the inquiry room. Few can attend its daytime sessions; even fewer could tolerate its tedious proceedings as barristers adumbrate in 18th century legalese.

The insertion of more of the legal mind threatens only to consolidate the distance between planning decision-making and the community which will bear the consequences of that decision.

Mr Patten has very properly stated his desire to minimise the decision making by the Secretary of State at which Mr Ridley was so inept. This gives a chance for the public to exercise its concern about the quality of the environment.

Clearer national planning policy guidelines would give a context for more localised decision-making. We need disincentives to stop frivolous appeals. Mr Patten should tidy up the confusing morass of government planning advice.

Above all, there should be greater – not fewer – opportunities for the customers of the planning system to have their say.

Robin Thompson,
President,
Royal Town Planning Institute,
26 Portland Place, W1

Linking the poll tax with individual incomes

From Professor George Allen.

Sir, Now that the administration is in place, for what would be a highly complex exercise starting from scratch, it should be possible quite easily to switch to a community charge system centred on individual taxable income (as specified in the income tax return), along the following lines:

● There would be a national personal minimum community charge set by the national government and uniform for the whole country.

It might be in the range of £150-£200 per head.

● County and district councils would set their own individual taxable income surcharges which, while varying between local government areas according to council decisions, would be a constant proportion for all individual taxable incomes within each district.

● All but the poor would pay whichever of the national minimum or the local surcharge were the higher.

● A system of rebates would be available for the poor along the present lines, although possibly less generous since the arrangements would be less regressive than those now in force.

● Central government would continue special support to the poorer district councils.

These proposals would maintain the two worthwhile features of the present scheme, namely that all would pay towards local government and it would be simple to understand.

In addition, it would remove the gross inequity of the community charge while retaining for central government virtually all of its responsibility in determining the progressiveness of total taxation.

Presumably, the Inland Revenue computers would have no difficulty in giving each local government a reasonably accurate estimate of the total taxable income within its boundaries, necessary for estimating the surcharge.

George Allen,
West Woodlands,
Newton Tracey,
Barnstaple,
Devon

Financial theory and priorities for the railways

From Mr J. Schimmelpfennig.

Sir, I am rather sorry about Mr Sawers' ill-researched response (Letters, March 24) to my letter. Whatever position one takes on railway subsidisation at least two of his arguments are unaccountable.

First, the pricing rule advocated by economists for natural monopolies, the so-called Ramsey pricing, is almost quoted correctly by Mr Sawers. Unfortunately, he forgets to mention the basic context the theorem was developed for. It is a second-best rule holding under the assumption that first-best pricing is not considered as an alternative. Thus Ramsey pricing is only efficient as long as subsidisation is not approved.

Second, by declaring policies "only justifiable if they produce benefits to the community as a whole, not just to the consumers of the subsidised service," which is known as the Pareto criterion, Mr Sawers effectively rules out any kind of cost benefit analysis.

The consequences of such a view were recognised as early as 1939 and 1940 by Nicholas Kaldor and John Hicks respectively. The Hicks-Kaldor criterion, being content with the mere possibility of the losers of some economic policy being compensated by the winners, not only makes cost benefit analysis possible. Without it, quite a lot of well-accepted basic economic policies run into considerable trouble.

If, for example, Mr Sawers rules out taxation to fund the subsidisation of railways on the grounds of the Pareto criterion, he could not but oppose any kind of taxation on the very same grounds.

Is he aware of implicitly favouring Nozick's minimal state?

Jörg Schimmelpfennig,
Osnabrück University,
West Germany

From Mr Robert W. Bonhoff.

Sir, While Mr. Schimmelpfennig and Mr Sawers (Letters, March 14 and 24) argue on aspects of financial theory, they should not miss Kevin Brown's report ("One round-trip ticket to Hell, please," March 24) and, as a consequence, start working on some much more important railway priorities such as:

● Safety: there are still too many accidents. Recent examples include Switzerland (Saxon), West Germany (Rüsselsheim) and East Germany (near Leipzig).

● Compatibility: While the effects of borders are disappearing and freedom of travel is coming to most, if not all, Europeans, railways, thanks to splendid isolation, monopolistic privileges and resultant management behaviour, have different tracks, technical systems, safety devices and power systems. No wonder they are not competitive on a European basis compared with cars, trucks and aircraft.

● Hygiene: The deplorable state of toilets in many trains and railway stations poses a health hazard.

● Staff: Trains carrying well over 1,000 persons are "run" by just one driver in many cases. Together with technical deficiencies, this multiplies the risk of human failure.

Repeated strikes are indicative of serious human relations problems in many railways and solutions seem difficult to find unless management attitudes and policies change.

Political developments in Europe (which includes the British Isles) imply major challenges to European travel and transport complexes in safety, technical and infrastructure terms and, at the same time, in terms of service. The latter, however, will not improve unless changes in the working environment make the tasks of railway staff more rewarding and satisfying.

Robert W. Bonhoff,
Avenue du Bouchet 8,
Geneva

FINANCIAL TIMES
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US law may sour exports of Chinese wine

Trade in items from labour camps may be scrutinised, writes Colina MacDougall

Next time you go to your local Chinese eatery and order a bottle of Dynasty wine, spare a thought for the people who have grown the grapes. They may be inmates of one of China's forced labour camps.

Vineyards at the Tuanhe "labour re-education camp" south of Peking supply fruit to the Sino-French winemaking joint venture at Tianjin, now exporting about 400,000 bottles to the US, Britain and around the world. A bottle of Dynasty sells for about £4.20 ($6.60) in Soho, London's Chinatown.

Imports produced by forced labour are forbidden by both US and British law if they compete with items made domestically. So far, this legislation as it affects China has been virtually ignored in both countries. "This has never crossed our desks at all," professed officials at London's Foreign Office and Department of Trade and Industry.

"I wouldn't stop drinking it just because the grapes were grown by prisoners," said one London restaurateur whose fashionable restaurants in Chelsea stock it. "I'd rather they were growing grapes than in the salt mines."

But now, in the US, Republican Senator Jesse Helms from North Carolina is drafting new legislation which will cover in addition products made in circumstances which infringe human rights. If the draft becomes law – and debate on the issue is expected in May – many US imports and joint ventures with China could come under scrutiny.

The customer for the Tuanhe grapes, the Sino-French wine joint venture set up by Remy Associates (whose European company Remy Martin makes the world-famous cognac) and the Tianjin winemakers' co-operative, last year produced 1m bottles of Dynasty.

It is now to be sold under a Chinese name in the US, according to Remy executives, to give it more appeal in Chinese restaurants. Of the 60 per cent sold in China, most goes to hotels.

From its start in 1980, the operation has grown steadily and the partners now plan to renew their agreement for another 10 years. The grapes are drawn from all over the Peking-Tianjin area. The venture also produces a Chinese-style medicinal beverage, Dragon and Phoenix Three-Penis Wine, exported to Hong Kong.

"Yes, we get grapes from the Tuanhe prison farm," says Mr John Wong, zone manager for north-east Asia for Remy and Associates, the Hong Kong company. "I went there a few years ago. It's a well-disciplined place, though I didn't see much – mostly just the reception room."

One graduate of Tuanhe prison is Harry Wu, now in California, who spent the years 1962-1968 there, out of a total of 19 years in labour camps. His crime, he says, was to criticise Sino-Soviet relations when he was a student during the Hundred Flowers free-speech movement in 1957. In his time, Tuanhe exported 8m pounds of grapes to Hong Kong and Japan.

The grapes come from 3,000 hectares of vineyards, cereals and other fruit cultivated by about 2,000 prisoners. Liu Shili, the camp commandant, claimed in 1986 that the prison made a net profit of $326,000, of which 60 per cent went to the state, 80 per cent of the rest to the staff and the final 20 per cent to the prisoners – an average of about $10 each.

Dynasty is only one of thousands of exports made or partly made in China's prisons. Tuanhe also reported selling lamp wicks to Australia last year. Prison-made textiles, machinery, pigs, meat, rice, steel products, tea – all appear to be exported. Many small items are repackaged in Hong Kong. Mr Wu recalls mining coal during his time in a camp in Shanxi province which he says was sold to the UK. The Yingde black tea which he can buy in California comes from a labour camp in Guangdong province.

"Labour reform camps around Peking are absolutely stuffed with people since the Tiananmen crackdown last year," said one human rights worker. "What makes the use of labour from Tuanhe particularly depressing is that most prisoners are there on 'labour re-education'" (to which you can be sentenced by police or other authorities, without trial).

Mr Wu estimates that there may be as many as 20m prisoners in Chinese labour camps. Human right organisations say many slave in dreadful conditions, unjustly and for near-endless periods.

Shandong recorded that in 1957-87 prison-made exports went to 81 countries. Anhui claimed in 1989 to have earned $3.7m by prison exports, while Hubei sold prison-made silk, cotton, plate glass and machine tools to Europe and the US.

EC refuses to adopt Gatt report on dumping

By Peter Montagnon and Lucy Kellaway in Strasbourg

THE European Community will not agree to the adoption of a report by the General Agreement on Tariffs and Trade that its anti-dumping circumvention rules are illegal until an acceptable way is found of dealing with the problem of circumvention.

This was stated yesterday by Mr Frans Andriessen, the EC's Trade Commissioner. It was his first public comment on the finding by a Gatt dispute settlement panel set up following a complaint by Japan. The Gatt Council was due to discuss the report yesterday. Mr Andriessen said in an interview with the Financial Times that the panel had taken a "rather formal and restrictive" view in finding that the EC had no right to apply dumping duties to products assembled in the Community.

The EC had argued that duties were necessary to prevent Japanese firms, which had been accused of dumping, from evading duties by importing parts and assembling them in European "screwdriver" plants. Under the rules, goods assembled in these plants are subject to dumping duties unless more than 40 per cent of the parts come from outside the exporting country. The rules, introduced three years ago in response to a rapid build up in circumvention by Japanese companies, have been applied in seven different cases.

The Gatt report did not deal with the substance of this problem, Mr Andriessen said. "The problem of circumvention remains and we are not the only ones trying to deal with that situation." One possibility might be to reach an agreement on new anti-circumvention rules as part of the Uruguay Round of multilateral trade negotiations.

Another might be for Europe to adopt the US approach which has not been contested in Gatt and involves a value-added test rather than a content requirement for parts procured outside the country accused of dumping. The Community, which has resisted US reluctance to agree to the adoption of critical Gatt panel reports, had not decided what action to take.

The EC's screwdriver rules were caught out on the technicality that the duty is collected inside the country, making it classify an internal tax. By contrast, in the US system the duty is levied on the parts as they enter the country.

Brussels at odds with Gatt, Page 4

IADB MEETING

Morgan Grenfell to hire 60 Libra traders

By Stephen Fidler, Euromarkets Correspondent, in Montreal

MORGAN GRENFELL, the UK merchant bank owned by Deutsche Bank, is close to completing negotiations to hire a 60-strong team of traders in Third World debt from Libra Bank, the London consortium bank which is being wound down because of its problem loans to Latin America.

The Libra group has been one of the most active in the market, where bank loans to Latin America and other countries are traded at prices usually significantly below face value. The Libra team claimed involvement in transactions last year totalling $11.8bn, perhaps the highest turnover of any single operation.

One advantage it had over competitors was its ability to use Libra's extensive loan portfolio for trading. According to sources familiar with the negotiations, it is proposed that the relevant part of Deutsche Bank's large foreign debt portfolio will be put at the disposal of the traders.

This provides an early and concrete example of the way in which Morgan Grenfell and Deutsche, Germany's largest bank, can co-operate.

The team, led by Mr Rich Haller, is expected to move to Morgan Grenfell on May 1. Morgan has built a strong presence in traditional merchant banking operations and corporate finance in Latin America and views a strong trading team as an excellent strategic fit. Its own small debt trading team will be rolled in to the Libra group.

Latin American bank loans are often used as a medium for investment in Latin America, since there are programmes in many countries in which the loans can be exchanged for local currency for investment purposes.

Libra, a consortium owned by a group of international banks and created in the 1970s to specialise in lending to Latin America, declared earlier this year that it would cease operations because it could not find the capital to meet new, more stringent Bank of England guidelines on provisions for Third World debt.

The move surprised many in the City, where it was felt that the Bank had made the best of a difficult situation.

However, agreement could not be reached among shareholders, which included National Westminster, about fresh injections of capital.

WestDeutsche Landesbank last year merged its merchant banking operations with those of Standard Chartered, thereby acquiring a previous team of Libra debt traders, led by Mr Michael Milbourn.

● Separately, it emerged yesterday that Mr Carlos Santistevan, the former Peruvian central bank governor who was an executive director of Libra, is in discussions on taking over as treasurer of the Washington-based Inter-American Development Bank.

The Bank is holding its annual meeting in Montreal, an event which has become a magnet for Third World debt traders from around the world.

Chile faces heavy payment burden; Japan seeks bigger IADB role, Page 6

Japan seeks bigger stake in Latin bank

By Stephen Fidler in Montreal

JAPAN has made a forceful request to enlarge its shareholding in the Inter-American Development Bank, the bank which channels development funds into Latin America.

The move reflects Japan's view that its increasing financial support for development in Latin America should be better reflected in its shareholding.

The Japanese have been expanding their shareholdings in other multilateral institutions.

Now the second largest shareholder in the World Bank, negotiations are well advanced for them to adopt that position in the International Monetary Fund, where they are currently the fifth largest shareholder.

Mr Toyoo Gyohten, special adviser to the Ministry of Finance who led the Japanese delegation to the bank's annual meeting in Montreal, declared to the meeting: "It is highly desirable for us to see Japan's voting share raised from the current level of 1.1 per cent and the Japanese staff members be increased."

He also called for consideration of strengthening sanctions against countries which fell into arrears with the Bank. Four countries, Honduras, Nicaragua, Panama and Peru, were in arrears to the Bank at the end of last year.

Japan's demand and that of other countries such as France to increase their influence on the Bank is likely to cause problems.

It could probably only be accomplished only at the next capital injection in several years' time – an expansion of capital by some $26.5bn was agreed just a year ago.

The requests could only be met at the expense of the current major shareholders – the US or one of the four big Latin American countries, Brazil, Argentina, Venezuela or Mexico.

The Latin shareholders are unlikely to wish to see their influence in the bank diluted, and it is also unlikely that the US would wish to see its grip over the institution slacken.

Japan has been the only country to announce significant backing for the Brady initiative on Third World debt, launched a year ago by the US Treasury Secretary, Mr Nicholas Brady.

Mr Gyohten said yesterday that Japan would contribute Y5.5bn in the current fiscal year for a special fund in conjunction with the IADB.

Mr Enrique Iglesias, the Bank's president, said he was "flattered that countries should want a bigger share of the bank".

However, he believed it could only be accomplished at the next capital replenishment. "I don't see any possible solution to it now."

Lithuania seeks deal

Continued from Page 1

says it owns the plants, said would no longer print four pro-independence newspapers it called "anti-socialist" and "anti-Soviet."

However, journalists in Vilnius, the republic's capital, said work continued as normal at the plant and all titles were on news-stands yesterday.

Mr Algimentas Cekuolis, editor of one of the targeted titles, Gimtasis Krastas, said: "The workers there are behind independence, they will either print all the titles or walk out and print none."

● Ivan Laptyev, editor of the government daily Izvestia, was elected chairman of one of the chambers of the Soviet standing parliament, replacing Yevgeny Primakov, Reuter reports from Moscow.

Laptyev, a reformer who has made Izvestia one of the most respected Soviet newspapers, won the necessary majority of votes in the Council of Union after a series of ballots.

British company signs deal to export Soviet timber, minerals

By Charles Leadbeater, Industrial Editor, in London

A BRITISH company yesterday signed a contract worth as much as £2.6bn ($3.30bn) over the next 15 years to export minerals and timber from a Siberian forest, estimated to be twice the size of the UK.

The agreement between Doctus, which specialises in the management of large projects, and the Government of the Tomsk region, is the largest Soviet trade deal signed by a British company. It is the third-largest long-term deal signed by a foreign company in the Soviet Union.

Doctus will charge a 12 per cent fee for exporting timber and crude oil. It will then charge 10 per cent on the price of imports – ranging from pig farms to personal computers – intended to help the development of one of the Soviet Union's most inhospitable and sparsely populated regions.

Under the agreement, which was signed in London yesterday – without the representatives from Tomsk who missed their aircraft – Doctus has sole rights to extract 48m cubic metres of timber, worth about £50 per cubic metre.

The initial agreement negotiated over the past 18 months was to export 30m cubic metres. But a forest fire in the north of the region has meant that a further 18m cubic metres of fire-damaged trees need to be felled in the next three years before they decay.

Doctus has organised a consortium of Austrian, British and Swedish buyers for the timber, which will send staff and machinery to start felling. Trees are presently felled using hand-held chain saws.

The joint venture will trade in hard currency, avoiding the difficulties of repatriating profits earned in roubles.

The venture also plans to set up wood processing plants to allow the Soviet partners to use the timber to export finished, higher value added wood products.

The project will add 1 per cent to world timber supply at a time when felling in the Amazon rain forests is coming under increasing environmental scrutiny. The company said the deal could be defended on environmental grounds as the forest was growing by 30m cubic metres a year.

Nordic groups buy French papermaker

Continued from Page 1

ious to gain control of production within the EC ahead of the introduction of a single market in 1992.

"We regard this as a strategic investment in the heart of Europe," said Mr Per Knuts, head of Stora, in Paris yesterday. "The unification of the Common Market has been very disturbing for us, located on the outskirts of Europe. We want to be part of Europe, and that is one of the reasons why we are placing this investment in France," he said.

Mr Knuts added that with newsprint increasingly made from waste paper, the centre of newsprint production was moving away from Scandinavia towards paper-consuming countries where recycled fibre is more readily available.

Another attraction France holds for pulp and paper makers is the cheaper electricity available because of that country's nuclear power policy.

Mr Knuts said Stora and Kymmene had "aggressive" investment plans for Chapelle Darblay.

Stora, which is a leading newsprint producer, said yesterday that its main interest in Chapelle Darblay, was its newsprint production. Chapelle Darblay has an annual capacity of 350,000 tonnes of newsprint at its Grand Couronne mill, near Rouen, and has a quarter of the French newsprint market.

Kymmene is more likely to be interested in Chapelle Darblay's lightweight coated paper (LWC) mill at St Etienne, also near Rouen, which has capacity to make 240,000 tonnes a year of the paper used for magazines and has 18.5 per cent of the French market. Kymmene is a leading LWC producer and last year started production at an LWC mill it had built in Scotland.

However, Mr Gay Ehrnrooth, president of Kymmene, denied any plan to divide the two plants between them.

The takeover should end Chapelle Darblay's 10 year history as one of the lamest of France's industrial ducks, with a saga of bankruptcies and ballouts behind it.

WORLDWIDE WEATHER

		Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	R	14	57	Dallas		–	–	Madeira	F	18	64	Prague	S	19	66
Algiers	S	20	68	Dublin	F	7	45	Madrid	C	14	57	Reykjavik	S	-5	23
Amsterdam	F	7	45	Dubrovnik	S	18	64	Majorca	S	18	64	Rhodes	F	18	64
Athens	S	21	70	Edinburgh	F	4	39	Malaga	S	18	64	Rio de Janeiro		–	–
Bahrain	F	28	[illegible]	Faro	F	16	61	Malta	C	16	61	Rome	R	13	55
Barcelona	F	15	59	Florence	S	15	59	Manchester	F	5	41	Salzburg	F	20	68
Belfast	F	4	39	Frankfurt	R	9	48	Melbourne	S	18	64	S'Francisco †	F	11	52
Belgrade	S	23	73	Geneva	R	10	50	Mexico City		–	–	Santiago		–	–
Berlin	F	18	64	Gibraltar	S	18	64	Miami †	C	22	72	Seoul	R	7	45
Biarritz	F	12	54	Glasgow	F	5	41	Milan	R	10	50	Singapore	[illegible]	30	86
Birmingham	Sl	2	36	Guernsey	R	8	46	Montreal †	R	3	37	Stockholm	R	10	50
Blackpool	S	7	45	Helsinki	F	10	50	Moscow	[illegible]	13	55	Strasbourg	R	12	54
Bombay		–	–	Hong Kong	C	27	81	Munich	F	18	64	Sydney	R	20	68
Bordeaux	F	12	54	Innsbruck	F	16	61	Nairobi	C	19	66	Tangier	C	19	66
Boulogne	F	7	45	Inverness	F	1	34	Naples	[illegible]	13	55	Tel Aviv	F	15	59
Bristol	C	8	46	Isle of Man	C	5	41	Nassau		–	–	Tenerife	S	20	68
Brussels	F	7	45	Istanbul	S	16	61	Newcastle	Sn	5	41	Tokyo	S	21	70
Buenos Aires		–	–	Jersey	F	9	48	New Delhi	S	27	81	Toronto †	C	3	37
Budapest	F	19	66	Johannesburg	Dr	13	55	New York †	R	6	43	Tunis	C	18	64
Cairo	S	21	70	Las Palmas	C	19	66	Nice	R	12	54	Valencia	F	20	68
Cape Town	S	26	79	Leeds	F	7	45	Nicosia	S	17	[illegible]	Venice	R	12	54
Cardiff	C	8	46	Lisbon	C	14	57	Oporto	S	14	57	Vienna	F	20	68
Chicago †	F	-1	30	Locarno	R	10	50	Oslo	[illegible]	5	41	Warsaw	F	21	70
Cologne	R	6	43	London	C	9	48	Paris	R	9	48	Washington †	F	9	48
Copenhagen	C	9	48	Los Angeles †	F	13	55	Peking		–	–	Wellington		–	–
Corfu	S	19	66	Luxembourg	C	4	39	Perth	F	22	72	Zurich	C	13	55

C–Cloudy. Dr–Drizzle. F–Fair. Fg–Fog. H–Hail. R–Rain. S–Sunny. Sl–Sleet. Sn–Snow. T–Thunder.
† Noon GMT temperatures

THE LEX COLUMN

A new formula for German chemicals

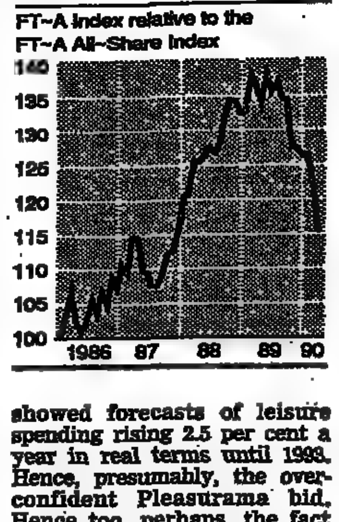
Yesterday's full year figures from Hoechst complete the reporting season for the European chemical majors, confirming the general impression of modest but containable decline. Hoechst's 10 per cent fall in fourth quarter profits compares with a 13 per cent decline from ICI at one end of the range and 7 per cent growth from BASF at the other. This year should again see flat or slightly reduced profits overall, with ICI once more at the lower end through its UK exposure and BASF again enjoying the benefits of its larger upstream business.

The deeper question is how the West German industry reactsto German unification. There will doubtless be those who yearn for the great pre-war days of IG Farben, when the German chemical industry dominated the world. Indeed, some of the commercial links were never entirely severed. But the costs of modernising East German processes and products would be formidable; and given the return of industry-wide overcapacity in the past twelve months, it might seem logical to let most of the East German industry die a natural death.

But in the heavily political context of German unification, nothing is certain. For the industry as a whole, one risk must be that the German government might support chemical production as a form of regional aid, as Italy did in the 1970s. The West German majors have yet to commit themselves to serious investment in the East. If they do, they could be developing long term opportunities at the cost of short-term competitiveness.

Leisure

FT–A index relative to the FT–A All–Share Index



Mecca

Yesterday's disclosures about Mecca Leisure's financial discomfiture have a wider relevance. The problems which knocked 30 per cent off the share price in a day come primarily from Mecca's £750m bid for Pleasurama 18 months ago, and thus may look peculiar to the company. It is hard, after all, to see Ladbroke or THF allowing borrowings to spiral upwards to Mecca's 144 per cent gearing. But the sector-wide issue is that conventional wisdom has long dictated that a growing leisure market guaranteed rising profitability. Mecca's problems may have arisen from blind faith in that dogma, and one can see some other leisure companies getting into the same fix.

Mecca's 1988 annual report showed forecasts of leisure spending rising 2.5 per cent a year in real terms until 1993. Hence, presumably, the over-confident Pleasurama bid. Hence too, perhaps, the fact that having overshot its capital expenditure budgets in 1989, Mecca is again lifting its outlay to £100m this year. And this at a time when net borrowings have reached £460m, nearly double the company's market value, and when it has at least £60m of interest and preference dividends to pay before it can think about a pay-out on the ordinary shares.

The situation is not desperate yet, but one can see it becoming so if Mecca's hopes of paying down debt by raising £250m from disposals turn out to be wishful thinking. To that extent, Mecca's long hot summer will also serve to show what has happened to asset values in the UK's leisure industry generally.

Liffe/LTOM

The London derivatives market is finally getting its act together. The past few weeks have seen a DTI paper encouraging the establishment of futures and options funds, Budget simplification of the tax position and now the Liffe and LTOM exchanges coming close to merger agreement. It never made sense for FT-SE options to be traded on one market and FT-SE futures on another, especially as many leading houses are members of both. In the context of the fierce competition from the US exchanges and a growing threat from Matif in France and DTB in West Germany, dividing the London derivatives market looked positively suicidal.

The two exchanges had discussed merger in the past, but Liffe understandably baulked at the prospect of falling into the stifling grip of LTOM's parent, the stock exchange. Once LTOM had threatened to break away on its own, the SE was left with a back seat in any new structure. Although the two bodies could link up on the old SE floor, a move to wholly new premises is just as feasible.

The keys to success for any exchange are liquidity and a sufficient range of contracts to take advantage of market volatility – Liffe's 96 per cent increase in volume this year is mainly due to a near trebling in German bund future trading. The combination of Liffe and LTOM is a positive step towards achieving both criteria.

Quarters

The fall in the All-Share Index in the opening three months of 1990 was the only first quarter decline since Mrs Thatcher came to power. There were only two worse quarters for the market in the 1980s: the period of the 1987 crash and the recession-hit third quarter of 1981.

A first quarter fall is not necessarily fatal. The All-Share recovered from a decline in the first three months of 1978 to finish the year higher than it opened – if by a mere 3 per cent – as it has done every year since 1976. But other parallels with 1978 are hardly encouraging: as now, inflation and unemployment were rising, social discontent was rife, and a government was nearing the end of a difficult term.

Sectors

The slump in Mecca's share price is a further reminder of the radical differences between the downturn of 1990 and that of 10 years before. Then, manufacturing industry had over-invested only to be hit by a fall in international demand and a soaring currency. This time, domestic and service industries have over-invested only to be hit by a flattening in consumer demand and soaring interest rates.

The resulting collapses in stocks ranging from the retailers to Coloroll and Saatchi & Saatchi is familiar enough. What is still unclear is whether stocks like ICI are correspondingly oversold. It might be worthwhile for prudent investors to increase their weighting in capital goods while waiting to find out.

FINANCIAL TIMES
COMPANIES & MARKETS
Wednesday April 4 1990

INSIDE

Australian merger insures controversy

The A$3.4bn (US$2.57bn) merger between Australia and New Zealand Banking Group and National Mutual Life Association, two of Australia's largest financial groups, is being billed as a world first – never before has there been a deal of such size across traditional banking and insurance borders. But the deal is already throwing up a myriad of legal and regulatory issues. Page 23

All gas and razzamatazz

The New York Mercantile Exchange can turn on the razzamatazz when it wants to. Yesterday it launched a new natural gas futures contract in an elaborate style that would have done justice to the launch of the Queen Mary. The contract is the first future of its kind for an industry that is still sorting itself out from deregulation. "The gas industry approached us years ago and it believes the contract is valuable and needed," says Lou Gutman, Nymex chairman. Page 30

Cross-border vision

As Groupe AG's share price fell 11 per cent yesterday, the chairman of Belgium's leading insurance company and his new Dutch ally stoutly defended the logic of this week's ambitious cross-border merger plan. In a joint interview in Brussels, *Maurice Lippens of AG and Hans Bartelds, chairman of Amev*, told Tim Dickson of their common vision for the development of the two businesses. Page 20

Life where the mud flies

Bob Bauman made a reluctant goalkeeper. He admits to hating his days between the posts for his college soccer team. Now, as chief executive of SmithKline Beecham, one of the world's top four prescription-pharmaceuticals groups, he is once again the focus of opponents anxious to put the boot in. *Peter Marsh reports*. Page 29

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)							
Rises				Eurotunnel	55.5	+	3.4
Dresdner Bk.	436.5	+	8	Lafarge	391.5	+	26.7
Hochtief	1554	+	119	**Falls**			
Holzmann	1668	+	183	Hutchinson	1070	−	33.9
Karstadt	723	+	31	Scoa	29	−	1.9
Kaufhof	717	+	34	Thomson PA	1194	−	48.0
Linde	1015	+	19	**TOKYO (Yen)**			
NEW YORK ($)				**Rises**			
Rises				Canon	1800	+	210
Coca-Cola	77	+	1	M'bishi Wrhse	1600	+	200
UAL	163½	+	2⅜	New Japan Secs	1250	+	170
Whitehall	17⅝	+	¾	**Falls**			
Falls				Nippon Beet	880	−	200
Corning	45⅝	−	⅜	Nippon Chem	1760	−	400
Georgia Gulf	44¼	−	¼	Showa Line	900	−	200
Unocal	32½	−	1⅜				
PARIS (FFr)							
Rises							
Bouygues	618	+	38.9				

New York prices at 12.30.

LONDON (Pence)							
Rises				Reuters	1143	+	36
British Land	374	+	34	Royal Bk Scot	188	+	8
Cadbury Schw	332	+	13	STC	286	+	18
Glaxo	795	+	22	Shell Trans	456	+	8
Hammerson A	717	+	17	Sun Life	1293	+	35
ICI	1100	+	23	Yorks Chems	395	+	9
Ipeco	76	+	8	**Falls**			
Johnston Grp	298	+	10	Astra Hldgs	17	−	3
Land Securities	497	+	11	European Leis	88½	−	6½
Lex Service	255	+	9	Lloyds Bank	292	−	7
NatWest Bank	351	+	6	Mecca Leisure	77	−	38
RMC	634	+	17				
Reckitt&Colman	1159	+	29				

GEC gets go-ahead on Plessey plans

By Charles Leadbeater and Michael Skapinker in London

PATIENCE HAS paid off for Lord Weinstock, the General Electric Company's managing director.

Five years after launching his initial bid to take over Plessey, the defence electronics group, Lord Weinstock yesterday got almost everything he wanted.

GEC announced yesterday that the Department of Trade and Industry had waived the electronics group's undertakings, given in 1987, not to acquire Plessey's businesses.

GEC has now taken over the bulk of Plessey's activities, through the joint bid it launched in 1988 with Siemens, the West German electronics group. The division of Plessey's business will give GEC a predominant position in the UK defence electronics industry following its takeover earlier this year of Ferranti International's radar division.

The deal will double Siemens' turnover in defence electronics and significantly strengthen its position in the UK.

Siemens will acquire full ownership of Plessey's radar and defence systems businesses and a 40 per cent stake in GPT, the telecommunications equipment manufacturer originally set up by GEC and Plessey.

Although GEC is acquiring most of Plessey's businesses, Siemens will pay slightly more than half the £2bn ($3.2bn) purchase price, because GPT accounted for a large share of Plessey's turnover.

GEC will control Plessey's aerospace, materials and semi-conductor businesses, and virtually all of its US interests which under the original plan were to be jointly owned with Siemens.

In addition, GEC will control Plessey's naval systems and avionics activities.

Lord Weinstock and Mr Karlheinz Kaske, Siemens' chief executive, made their bid in 1988.

The move was presented as a far-reaching alliance which would play a central role in restructuring the European electronics industry as 1992 approached.

Throughout the bid, Plessey argued that its businesses would be carved up and run separately if a takeover was successful.

Sir John Clark, son of Plessey's founder and the company's chairman at the time of the bid, said last night: "I told the Government, I told the press and I told the City that the rationale for the acquisition of Plessey in the name of European unification was a load of nonsense."

He added: "If what has happened is seen to have been in the best interests of the UK then I am a monkey."

The Department of Trade and Industry said yesterday that a move by GEC to take a controlling interest in the semiconductors, materials, aerospace and US businesses might result in a further reference to the Office of Fair Trading. However, it is thought unlikely there would be such a referral.

Pechiney turns in FFr3.34bn profit

By George Graham in Paris

PECHINEY, the French state-owned aluminium and packaging group, has announced net profits of *FFr3.34bn ($580m)* for last year and forecast that a substantial reduction in financing costs will partially offset a fall in aluminium prices in the first half of 1990.

The results show an increase of 67 per cent from 1988, but include for the first time the earnings of American National Can, the leading US packaging company bought by Pechiney for $1bn in November 1988.

Mr Jean Gandois, Pechiney's chairman, said the group had achieved its four main objectives during the course of the year:

- Integrating ANC into the group.
- Putting together a project to build a new FFr4.5bn aluminium smelter at Dunkirk.
- Turning round remaining lossmaking divisions.
- Re-establishing the group's financial structure.

Mr Gandois said Pechiney's total debt had soared from FFr14.3bn, or 1.24 times net equity, before the purchase of ANC, to FFr35.8bn, or 3.11 times equity, after the deal. The position had been improved by a series of capital issues, including new non-voting shares, warrants and the flotation of Pechiney International, a new subsidiary grouping the company's non-French activities.

The sale of the group headquarters raised a further FFr2.7bn, and by the end of this year Mr Gandois expects debt to total FFr25bn, or 1.06 times equity.

Pechiney International, the new listed subsidiary, reported net profits of FFr1.27bn in its first year of trading, on sales of FFr48bn.

Mr Gandois said the main aluminium division had very good earnings, with operating income up 17 per cent to FFr4.2bn, even though the average price of the metal was lower than in 1988.

He saw no reason for aluminium prices to have fallen as they have, especially as no new capacity is due to come on stream this year, and only one new smelting line in 1991.

Pechiney's new capacity at Dunkirk, on stream in 1992, would be compensated by closures elsewhere.

Mr Gandois said Pechiney had chosen to depreciate the goodwill on the acquisition of ANC on a progressive basis over 40 years, starting at $39m last year and rising by 3 per cent a year. On a straight line basis, depreciation would have been $72m last year.

Can Stempel engineer the recovery at GM?

Kevin Done on the task facing the group's new chief

MR Bob Stempel is taking over leadership of General Motors at a moment, when the future of the world's number one car maker is clouded by uncertainty. GM has been through a confusing decade – one in which bright horizons always seemed to beckon, but ended with an apparently remorseless erosion of the group's domestic market share and with losses in its core North American automotive operations.

For 10 years the world's biggest industrial corporation has been led by Mr Roger Smith, its chairman, on a helter-skelter ride. Mr Smith, hailed alternately as a saviour and as a disaster, set out with a grand vision to prepare the group for the 21st century.

He joined GM in 1949 as a general accounting senior clerk and was in the GM tradition of bean-counting finance men who have always been conservatively favoured to lead the corporation.

Mr Stempel, by contrast, breaks the mould as an engineer.

Mr Stempel joined GM's Oldsmobile division in 1958, where he held several engineering positions. He still claims that it was a summer job as a mechanic in a New Jersey garage that led him into the automotive business, and as an engineer he played an important role in the 1960s on the development of the first American front wheel drive car.

The company that Mr Stempel takes over has been radically shaped by Mr Smith, however, and it is Mr Smith's achievements and deficiencies that will mark the Stempel era, as GM continues to bear the brunt of Japanese competition on its worldwide operations.

From an inauspicious start, and with a modest public presence, Mr Smith hardly looked the part of corporate revolutionary, but since he took over as chairman in 1980 he has sought to transform GM which had become a byword for corporate bureaucracy.

His response was to open the pumps and turn on the dollar gusher, GM would spend its way out of trouble. In the last 10 years it has invested as never before in new plant and equipment in an attempt to renew its North American manufacturing base.

Little expense was spared as GM set out to acquire the latest in production automation. It was supposed to move the frontiers of car making technology, while at the same time GM bought in high-tech expertise through the takeovers of Hughes Aircraft – electronics, space, defence and communications – and EDS – data processing and telecommunications.

It brought Toyota, Japan's biggest car producer, into a car making joint venture in California, New United Motor Manufacturing Inc or NUMMI. The aim was to learn at first hand how the Japanese make cars and to discover whether the car workers of Detroit or Flint could do the job as efficiently as the car workers of Takaoka, Motomachi or Tsutsumi.

Most unsettling and disturbing for the unwieldy GM bureaucracy, Mr Smith embarked on a big reorganisation of the North American automotive operations with the setting up of two integrated car groups; Chevrolet, Pontiac, GM of Canada (C-P-C) and Buick, Oldsmobile, Cadillac (B-O-C).

To crown the vision, Mr Smith announced in 1983 the Saturn Project, a programme which at the time fired the industrial imagination of America and the world auto industry, a "no-year" development programme for a new family of sub-compact cars using "start-to-finish innovation to become competitive with Japanese imports."

Mr Stempel takes over the GM baton wrapped in a heroic Smith vision. Some would claim he has to pick up the pieces. Mr Smith told GM shareholders last year: "We set out to renovate, refurbish, and build anew. It was literally the reindustrialisation of our manufacturing base. Nothing on this scale had ever been undertaken in the history of American industry."

During the 1980s, GM has made total capital investments of around $76bn. "We've built nine new assembly plants, and we modernised 19 other assembly plants and 12 stamping plants. Today, your company has some of the most modern manufacturing plants in our industry; they're just beautiful new high-tech facilities."

In the last two years GM has also embarked in the US on a veritable new product binge.

The bottom line at the moment is a bitter one, however.

- GM is still the high-cost producer in the US.

GM is still lagging in the US in terms of quality and productivity. It too has made great progress – Mr Smith claims that the productivity of GM's US hourly workforce increased by 35 per cent between 1981 and 1988 – but in the meantime the competition has not been standing still.

- The new products may now be flowing, but at least up to the end of 1989 they had done precious little to stem the drastic erosion of GM's domestic car market share, which fell from 46.3 per cent in 1979 to 34.7 per cent in 1989.

Stempel: an engineering chairman not in the usual GM mould

- As the high-cost US producer GM is also the company carrying the biggest burden of overcapacity in North America, and as the Japanese US transplants build up production to more than 2m cars a year in the early 1990s, several more GM plants appear to face inevitable closure.

Mr Stempel must deal with a brutal price war, a weak domestic market, an ever growing US share taken by Japanese-badged cars whether Japanese or US-built. Last year for the first time a Japanese car, the Honda Accord, was the best-selling car in the US.

Outside the US, GM has fared much better, not least in West Europe, where in the last three years a revitalised GM Europe organisation, has reversed long years of losses with successive record profits. It is above all the profits from Europe, as well as the earnings of Hughes and EDS, that are currently propping up the North American auto operations.

If Mr Smith, despite his legion critics, has got it right, then Mr Stempel is taking on a company prepared for the 21st century. His biggest worry will be to find the road from 1990 to the year 2,000.

Earnings at SAS fall by 40% to SKr2bn after big investments

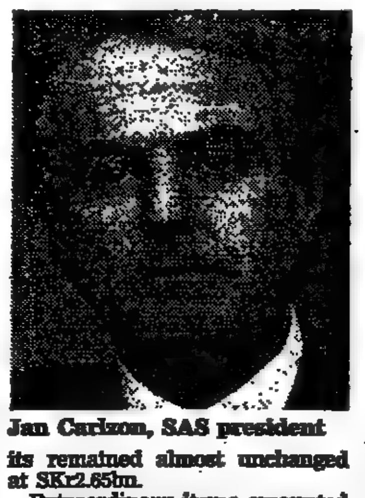
By John Burton in Stockholm

SCANDINAVIAN Airline Systems (SAS) yesterday reported a 40 per cent drop in profits before extraordinary items to SKr2.2bn ($358m) in 1989, its first earnings decline after three years of steady growth.

SAS blamed the lower profits primarily on a 150 per cent increase in investments to a record SKr9.9bn, which included the purchase of aircraft, the Intercontinental Hotel chain and a new computer system as part of its global travel service concept.

SAS president Mr Jan Carlzon nevertheless expressed satisfaction with developments that occurred last year, primarily the conclusion of alliances between SAS and several other airlines, including Swissair, Finnair, Austrian Airlines and Chile's LAN. "1989 was the year when the bricks fell into place in creating a global traffic system for SAS," he said.

Sales increased by 9 per cent to SKr29.5bn, while operating profits remained almost unchanged at SKr2.65bn.



Jan Carlzon, SAS president

Extraordinary items amounted to SKr1bn with the sale of aircraft and property.

The profit of the airline division fell by 30 per cent to SKr1bn, while income increased by 8 per cent to SKr20bn. New aircraft and a 26 per cent hike in fuel costs were the main factors behind the earnings decline. This division had the company's largest investment costs, totalling almost SKr5bn.

The package tour business remained SAS's weak point with a loss of SKr8m due to weak demand from Nordic vacationers.

The hotel division raised profits 75 per cent to SKr103m on a turnover of SKr1.2bn. At SKr3.9bn, this was the second largest investment area for SAS, with the purchase of a 40 per cent share in Saison (Overseas) Holding, which owns the Intercontinental Hotel chain.

The group's airline catering side lifted earnings 15 per cent to SKr211m and credit card operations and other financial services rose by 18 per cent to SKr84m.

SAS forecast that both operating profits and costs would increase in 1990.

Maxtor bids for MiniScribe

By Louise Kehoe in San Francisco

MAXTOR, a leading California disk-drive manufacturer, yesterday launched a $40m bid for MiniScribe, the Colorado disk-drive company which is to be sold in an auction ordered by the bankruptcy court.

MiniScribe's largest creditor is Standard Chartered Bank, which has lent the company $110m. Last month Standard Chartered made provisions of $80m against the loans.

Maxtor is the only party so far to reveal an offer for MiniScribe, but other offers are expected to materialise at, or before, today's courtroom auction.

Maxtor's offer comprises $20m in cash plus $20m in Maxtor stock.

In addition, Maxtor said it was willing to loan MiniScribe up to $30m for working capital between the acceptance of the offer and the closing date, which it said could be in July.

Last week MiniScribe said it needed cash to purchase components. The loan will not be credited against the purchase price, Maxtor said.

Maxtor's offer requires that the assets of MiniScribe's Hong Kong and Singapore subsidiaries, where the company's disk-drive products are manufactured, be delivered free and clear of debts. The subsidiaries, which are 100 per cent owned by MiniScribe, were not included in the US bankruptcy case.

Maxtor said it was negotiating with the creditors of the foreign subsidiaries to ensure a continued supply of key components to MiniScribe's manufacturing operations.

Maxtor's discussion with the creditors contemplates both cash and stock participation in the newly-formed subsidiary, with the stock exchangeable for Maxtor stock no sooner than April 1992.

MiniScribe's products – aimed at the personal computer and *lap-top computer markets* – would complement Maxtor's higher capacity disk-drives for the workstation sector of the industry, said Mr George Scalise, Maxtor president.

Daimler may invite Mitsubishi into venture

DAIMLER-Benz, West Germany's largest industrial company, might in the near future invite Japan's Mitsubishi group of companies join its planned aircraft engines joint venture with the Pratt & Whitney subsidiary of United Technologies of the US, Agencies report.

Mr Edzard Reuter, Daimler's chairman, said in an interview with a West German newspaper to be published today that it was "thinkable, though not completely discussed" that Mitsubishi could join the arrangement under which the civilian jet engine operations of Daimler's MTU Motoren-und Turbinen-Union München engine subsidiary will be merged with those of Pratt & Whitney.

● Deutsche Aerospace division of Daimler-Benz has agreed to sell two defence-related businesses to Bremer Vulkan, the West German shipbuilding group, for an unspecified sum.

The Economics Ministry ordered them to be divested on antitrust grounds following Daimler's acquisition of aerospace group Messerschmitt-Bölkow-Blohm last year.

Negotiations to sell the units to a consortium of West German and foreign defence contractors, in which Bremer has a 30 per cent share, broke down last month.

Hoechst earnings suffer due to strong D-Mark

By Our Financial Staff

HOECHST, the West German chemical group, raised 1989 group pre-tax profit by just 1.5 per cent from DM4.09bn ($2.4bn) to DM4.15bn, and said fourth-quarter earnings were hurt by the rise of the D-Mark against other major currencies.

Hoechst did not disclose fourth-quarter figures, but based on a comparison with the third quarter, pre-tax earnings dropped 10 per cent to DM1.02bn in the final period from DM1.13bn a year earlier.

Group sales rose 12 per cent to DM45.89bn in 1989 against DM40.97bn. In the fourth quarter, group sales rose 10 per cent to DM11.87bn from DM10.81bn a year earlier.

The company said the weakness of the dollar, yen and pound reduced the fourth-quarter earnings contribution from its foreign subsidiaries after conversion into D-Marks.

Based on the exchange rates at the end of October, full-year earnings would have been DM100m higher than the reported amount, Hoechst said. That would have translated into a 4 per cent rise in 1989 pre-tax profit.

Of the 12 per cent rise in group sales, 4 per cent stemmed from higher sales volume and 6 per cent from price and exchange-rate movements, Hoechst said. The first-time consolidation of Sigri, a carbon company in which Hoechst bought the 50 per cent it did not own last year, added DM1bn, or 2 per cent in turnover, the company said.

Foreign sales climbed 13.8 per cent to DM35.4bn last year from DM31.14bn, while domestic turnover rose 6.6 per cent to DM10.46bn from DM9.82bn.

Parent company pre-tax earnings rose 9 per cent in 1989 to DM2.21bn from DM2.02bn as higher earnings from investments made up for lower operating profit.

Among Hoechst's major divisions, sales in the chemicals and paint sector rose 8 per cent to DM11.64bn from DM10.74bn, and earnings also climbed, the company said.

In the pharmaceutical division, foreign earnings climbed strongly, while domestic results were flat due to growing competition from generic drugs following the reform of the West German health insurance system. Sales climbed 13 per cent to DM8.292bn from DM7.358bn.

Lex, Page 24

Forklifts help Linde to record

LINDE, the West German engineering company, said 1989 group net profit rose 26.3 per cent to a record DM186.3m ($109m) from DM147.5m a year earlier, writes Our Financial Staff.

The rise reflected a sharp increase in revenue from its key forklift operations.

Sales increased 21 per cent to DM5.45bn from DM4.51bn a year earlier.

Group pre-tax profit jumped 31.2 per cent to DM437m from DM333m the year before. It was the first time the company posted full group results. As reported, the company is raising its annual dividend to DM14 a share from DM13 a year earlier.

Linde said it expects the generally positive business developments of 1989 to continue in 1990. Group sales rose 7.6 per cent in the first two months of 1990 to DM764.6m, in spite of some weakness in US and British markets.

Order inflow during the period rose 14.9 per cent to DM1.1bn.

Analysts said the results lay within expectations. Linde's share price rose DM2 to DM1,015 in a rising market on the Frankfurt Stock Exchange yesterday.

Fears over Mecca debt send shares tumbling

By Andrew Bolger in London

SHARES in Mecca Leisure Group, Britain's biggest leisure company, fell by 30 per cent yesterday to 77p after the company shocked the City of London with the extent of its borrowings.

Mecca, which paid £750m ($1.2bn) for the much larger Pleasurama group at the end of 1988, said yesterday that its gearing level at December 31 was 110 per cent, compared to its forecasts of 80 per cent. It later told analysts that the group had current debts of £460m, giving it gearing of 144 per cent.

The group said pre-tax profits for the year to December 31 were £91.1m and earnings per share were 11.4p on turnover of £588m.

A final dividend of 3p makes a total of 5p for the year. Last year's pre-tax profit of £30.3m and earnings per share of 14.3p on turnover of £268m comprised results for the historic Mecca businesses, and only two months for the acquired Pleasurama businesses, and were therefore not comparable.

Mecca said that all the group's businesses, with the exception of London casinos and amusement machines, had performed well.

Better marketing and reinvestment had led to significant improvements in profitability across all three divisions: holidays, entertainment and themed catering and character hotels.

Lex, Page 18; Markets, 35

Honeymooners defend marriage of convenience

Tim Dickson examines the Amev, Groupe AG link

AS disappointed speculators wiped 11 per cent off the share price of Groupe AG yesterday, the chairman of Belgium's leading insurance company and his new Dutch business partner were stoutly defending the logic of this week's ambitious cross-border merger plan.

In a joint interview in Brussels Mr Maurice Lippens of AG and Mr Hans Bartelds, chairman of Amev, underlined their common vision for the development of the two businesses.

They insisted that the new operational structure will allow them to overcome any cultural or other differences during integration.

They hinted that a full merger of the two holding companies might be achieved "in 10 to 20 years time" if European fiscal and legal harmonisation permit.

Meanwhile Groupe AG's share price on the Brussels forward market dropped BFr1,300 ($37.1) to BFr10,500. In Amsterdam, Amev's share price also fell, by Fl 2.30 ($1.23) to Fl 58.20.

Mr Lippens, meanwhile, talked of his relationship with AG's biggest single shareholder, the Belgian holding company Société Générale de Belgique and explained why he rejected an earlier offer to participate in the trans-European insurance alliance being spearheaded by the Paris-based Groupe Victoire.

Monday's deal – the first of its kind in the insurance sector – will create the 12th largest European insurer with overall revenues from premiums and financial revenues in the region of BFr268bn.

It brings together two generally well-run businesses – the biggest in Belgium, the third biggest in the Netherlands.

Both chairmen cite the advantage for shareholders of not having to pay a "takeover premium" for control, the synergy which will come from learning about each other's insurance products, and the advantage of combining financial resources "so that we can grow more rapidly together."

"We will help each other develop further in our two strongest markets, Belgium and the Netherlands, and we will expand in those other countries where we already have a presence," said Mr Bartelds.

According to Mr Lippens "the name of the game is distribution" – the main reason why both AG and Amev have been acquiring banking interests of late. Amev has recently announced plans to merge with VSB Group, the leading Dutch savings bank, and AG has its Metropolitan Bank subsidiary.

The combined grouping, the two chairmen said, has a twin philosophy aimed at developing the "financial supermarket" approach in countries where they generate sufficient volume and have a high market share (notably their home bases), and at exploiting niche markets in other countries like the US and Australia.

Mr Lippens said that AG would benefit particularly from "Amev's international vision."

The chief architects of the merger believe that the secret of success will lie in the "unity of management" principle.

Although the shareholding structures of the two holding companies will remain apart, the new management committee will be a single entity from the start.

"Initially it will be made up 50/50 between the two sides but we will not be trying to stay like that," says Mr Lippens.

"The beauty is that we are putting everything we have into a common business. From day one nobody will have any interest in managing things differently."

Mr Lippens says he was asked by Compagnie Financière de Suez (owners of La Générale) to join the Groupe Victoire/Colonia combine but that this would have been a "purely financial" relationship which might have involved AG giving up some of its independence.

Although La Générale's strategy has been to take control of its major operating companies, the new management there realises that AG is "a special case."

"Our key Belgian anchor of 12 per cent in Société Générale is a stick behind the door. If the personalities change and they try to do something nasty to us we are in a position to hit slightly harder," adds Mr Lippens with a twinkle.

CIR revises proposal for Mondadori capital boost

By Our Financial Staff

SHAREHOLDERS in Mondadori, the Italian media group, have delayed consideration of a capital increase proposed by Mr Carlo De Benedetti's Compagnie Industriali Riunite after it announced a revised project.

Mondadori's board must now arrange a shareholders' meeting within 60 days to consider the revised plan proposed yesterday by CIR attorney Vittorio Ripa di Meana, who said the delay could allow time for CIR and the rival alliance of Mr Silvio Berlusconi to find a compromise over their four-month feud. Mr Berlusconi said he hoped an accord between the rival camps could be reached eventually.

Under the new capital plan proposed by CIR, Mondadori would raise L400bn ($319m) – up from L320bn – through the issue of 100m ordinary shares of L1,000 nominal value each and priced at L4,000 each.

Five new shares would be offered for every four shares held in all categories of Mondadori shares.

Mr Ripa di Meana said Mondadori needed fresh capital to meet its expansion plans.

Fermenta proposes sale of US-based subsidiaries

By John Burton in Stockholm

FERMENTA, the Swedish pharmaceutical and finance group, yesterday announced plans to sell SDS Biotech and Fermenta Animal Health, its two US-based subsidiaries, by the end of this year.

Mr Bertil Holmberg, Fermenta's president, said selling the US concerns would give the company capital to make new acquisitions. "We wish to increase our flexibility, which demands greater liquidity."

Fermenta has expanded into financial services, from its original business of producing antibiotics, since its takeover by Industrivarden, the Swedish holding company. It has bought Independent and Infina, two Swedish finance companies, since 1988.

The US companies were acquired during Fermenta's halcyon days in the mid-1980s when it was rapidly growing under its former owner, Mr Refaat El-Sayed, who was later jailed after being at the centre of Sweden's biggest post-war financial scandal.

The sale of the companies was precipitated by new Swedish tax laws affecting the use of tax loss carryforwards.

Elf Aquitaine eyes BP France assets

BP FRANCE said yesterday it had received an offer from Société Nationale Elf Aquitaine to take over all of its upstream exploration and production activities, AP-DJ reports.

BP announced last month it had put its upstream assets up for sale as part of a reorganisation. It said it is suspending the sale of these assets until negotiations with Elf Aquitaine have been completed.

Dutch react with scepticism

By Laura Raun in Amsterdam

MARKET reaction in the Netherlands to the planned merger of Amev and Groupe AG was sceptical yesterday, the first opportunity for investors to respond to Monday's news.

Securities analysts questioned where the desired economies of scale would be achieved unless the two partners fully integrate. Initially they will operate separately.

The Dutch and Belgian insurers also may be seeking protection against hostile takeover attempts, analysts said.

Mr Jonathan Walker, an analyst for Kleinwort Benson Securities in London, fears that mutual benefits may be modest because of limited geographical overlap between the pair. He also believes that Amev is getting too little money – BFr10.7bn ($303m) over 10 years - from AG, considering that the Dutch insurer is about twice as big as the Belgian partner and much more profitable.

Differences in corporate culture could throw up obstacles, as they did in the alliance between Amsterdam-Rotterdam Bank of the Netherlands and Générale de Banque of Belgium.

Mr Erwin Huijboom, an analyst at Pierson, Heldring & Pierson, the Dutch merchant bank, believes a merger could help smooth out Amev's cyclicality and strengthen its balance sheet. But he acknowledges that cost savings would be small unless the two insurers fully integrate.

Group Precious Metal Mining Companies' Reports for the quarter ended 31 March 1990

All companies are incorporated in the Republic of South Africa

Driefontein Consolidated

Driefontein Consolidated Limited
(Registration No. 68/04880/06)

ISSUED CAPITAL: 204 000 000 shares of 50 cents each, fully paid.

	Quarter ended 31 March 1990	*Quarter ended 31 Dec. 1989*	*Nine months ended 31 March 1990*
OPERATING RESULTS			
Gold – East Driefontein			
Ore milled (t)	680 000	692 000	2 092 000
Gold produced (kg)	5 591,8	5 925,8	17 276,8
Yield (g/t)	8,2	8,6	8,3
Price received (R/kg)	33 684	32 653	32 879
Revenue (R/t milled)	277,03	279,99	271,88
Cost (R/t milled)	145,08	142,93	140,63
Profit (R/t milled)	131,95	137,06	131,25
Revenue (R000)	188 383	193 756	568 779
Cost (R000)	98 658	98 908	294 198
Profit (R000)	89 725	94 848	274 581
Gold – West Driefontein			
Ore milled (t)	705 000	705 000	2 115 000
Gold produced (kg)	6 919,4	7 112,9	21 223,3
Yield (g/t)	9,8	10,1	10,0
Price received (R/kg)	33 668	32 817	32 914
Revenue (R/t milled)	330,85	331,50	330,70
Cost (R/t milled)	165,75	164,99	163,35
Profit (R/t milled)	165,10	166,51	167,35
Revenue (R000)	233 249	233 705	699 426
Cost (R000)	116 857	116 315	345 484
Profit (R000)	116 392	117 390	353 942
Reclamation plant — West Driefontein			
Tons treated	607 400	425 600	1 081 000
Gold produced (kg)	332,7	245,4	578,1
Yield (g/t)	0,5	0,6	0,6
Revenue (R000)	11 062	8 135	19 187
Cost (R000)	5 685	4 542	8 327
Profit (R000)	7 377	3 593	10 960
FINANCIAL RESULTS (R000)			
Working profit: Gold and reclamation plant	213 494	215 821	639 483
Tribute royalties	1 142	1 176	2 824
Net mining revenue	214 636	216 997	642 307
Net sundry revenue (group)	12 868	13 482	46 835
Recovery under loss of profits insurance	7 500	—	8 758
Profit before tax and State's share of profit	235 004	230 479	697 900
Tax and State's share of profit	120 442	111 479	344 816
Profit after tax and State's share of profit	114 562	119 000	353 084
Capital expenditure	41 391	54 767	149 612
Dividend	—	132 600	132 600

TAX. The new rate of mining tax as announced in the budget by the Minister of Finance has been used in the tax computation. Adjustment has also been made in respect of the proposal to tax consumable stores.

CAPITAL EXPENDITURE. The unexpended balance of authorised capital expenditure at 31 March 1990 was R525,9 million.

DIVIDEND. A dividend (No. 33) of 65 cents per share was declared on 12 December 1989, and was paid to members on 7 February 1990.

SHAFTS

EAST DRIEFONTEIN

No. 5 Sub-Vertical Shaft-E. The shaft was sunk 31 metres to a depth of 1 525 metres below collar. On the transfer level development to the rock pass positions was completed. The excavation of the loading bin was completed and the support of the excavation is in progress. Raise boring of rock passes and the installation of the No. 2 Mad Winder are in progress.

No. 1 Tertiary Shaft-E. 59 metres of the 72 metre headgear have been slipped. The stage and kibble winders were commissioned.

WEST DRIEFONTEIN

No. 9 Sub-Vertical Shaft-W. Stripping of the station layout on 22 Level, the excavation of winder chambers and the raise boring of rock passes and ventilation raises between 21 and 25 Levels continue.

On behalf of the board
A. J. Wright, M. J. Tagg } Directors

3 April 1990

Kloof

Kloof Gold Mining Company Limited
(Registration No. 64/04462/06)

ISSUED CAPITAL: 121 100 000 shares of 25 cents each, fully paid.

	Quarter ended 31 March 1990	*Quarter ended 31 Dec. 1989*	*Nine months ended 31 March 1990*
OPERATING RESULTS			
Gold			
Ore milled (t)	540 000	540 000	1 620 000
Gold produced (kg)	5 814,0	6 822,5	19 548,5
Yield (g/t)	10,8	12,6	12,1
Price received (R/kg)	33 652	32 711	32 879
Revenue (R/t milled)	362,90	414,45	397,42
Cost (R/t milled)	197,51	186,96	191,06
Profit (R/t milled)	165,39	227,49	206,36
Revenue (R000)	195 967	223 804	643 817
Cost (R000)	106 656	100 962	309 517
Profit (R000)	89 311	122 842	334 300
FINANCIAL RESULTS (R000)			
Working profit: Gold	89 311	122 842	334 300
Net sundry revenue	7 865	9 188	24 151
Profit before tax and State's share of profit	97 176	132 030	358 451
Tax and State's share of profit	1 915	19 514	42 951
Profit after tax and State's share of profit	95 261	112 516	315 500
Capital expenditure	84 731	86 508	251 681
Dividend	—	72 660	72 660
Issue of debentures	—	—	35 425

TAX. The new rate of mining tax as announced in the budget by the Minister of Finance has been used in the tax computation. Adjustment has also been made in respect of the proposal to tax consumable stores.

CAPITAL EXPENDITURE

(a) The unexpended balance of authorised capital expenditure at 31 March 1990 was R654,5 million.

(b) Included in the total of capital expenditure for the quarter ended 31 March 1990 is an amount of R56,4 million in respect of Leeudoorn.

DIVIDEND. A dividend (No. 40) of 60 cents per share was declared on 12 December 1989, and was paid to members on 7 February 1990.

SHAFTS

KLOOF

No. 4 Sub-Vertical Shaft-K. The shaft was sunk 156 metres to a depth of 754 metres below the collar on 25 Level. The establishment of the intermediate pump chamber was started.

LEEUDOORN

No. 1 Sub-Vertical Shaft-L. The shaft was stopped on 29 Level and the planned changeover to sinking from underground commenced. The erection of the main winder and rock winder continued and equipping of the headgear portion of the shaft was started.

Both surface compressors were commissioned.

On behalf of the board
C. T. Fenton, M. J. Tagg } Directors

3 April 1990

Libanon

Libanon Gold Mining Company Limited
(Registration No. 05/05341/06)

ISSUED CAPITAL: 40 000 000 shares of 20 cents each, fully paid.

	Quarter ended 31 March 1990	*Quarter ended 31 Dec. 1989*	*Nine months ended 31 March 1990*
OPERATING RESULTS			
Gold			
Ore milled (t)	415 000	435 000	1 245 000
Gold produced (kg)	1 749,9	1 801,1	5 509,1
Yield (g/t)	4,2	4,1	4,3
Price received (R/kg)	33 742	32 631	32 873
Revenue (R/t milled)	142,50	135,27	141,16
Cost (R/t milled)	143,37	132,28	136,47
(Loss)/profit (R/t milled)	(0,87)	2,99	4,69
Revenue (R000)	59 138	58 844	181 397
Cost (R000)	59 497	57 545	175 365
(Loss)/profit (R000)	(359)	1 299	6 032
FINANCIAL RESULTS (R000)			
Working (loss)/profit: Gold	(359)	1 299	6 032
Net sundry revenue	1 332	1 991	5 179
Profit before tax and State's share of profit	973	3 290	11 211
Tax and State's share of profit	696	949	2 392
Profit after tax and State's share of profit	277	2 341	8 819
Capital expenditure	4 504	4 225	18 535
Dividend	—	4 000	4 000

CAPITAL EXPENDITURE. The unexpended balance of authorised capital expenditure at 31 March 1990 was R13,9 million.

DIVIDEND. A dividend (No. 74) of 10 cents per share was declared on 12 December 1989, and was paid to members on 7 February 1990.

PRODUCTION. On 13 March a fire was detected in a Main Reef stope on 21 Level in the Harvie-Watt Shaft area. The fire has been sealed and is being monitored by remote sensors. As a result of the fire, tonnage milled for the quarter was 20 000 tons below the planned milling rate with a subsequent loss in gold production. A claim for the loss of profit will be made once the full extent of the loss has been determined.

On behalf of the board
M. J. Tagg, A. J. Wright } Directors

3 April 1990

Vlakfontein

Vlakfontein Gold Mining Company Limited
(Registration No. 05/06155/06)

ISSUED CAPITAL: 6 800 000 shares of 20 cents each, fully paid.

	Quarter ended 31 March 1990	*Quarter ended 31 Dec. 1989*	*Nine months ended 31 March 1990*
OPERATING RESULTS			
Gold – Droogebult			
Ore milled (t)	—	54 654	106 857
Gold produced (kg)	—	155,5	304,4
Yield (g/t)	—	2,8	2,8
Price received (R/kg)	—	32 394	32 347
Revenue (R/t milled)	—	92,33	92,45
Cost (R/t milled)	—	83,64	86,42
Profit (R/t milled)	—	8,69	6,03
Revenue (R000)	—	5 046	9 879
Cost (R000)	—	4 571	9 235
Profit (R000)	—	475	644
Gold – Surface sources			
Ore milled:			
from surface dumps (t)	41 751	77 944	185 771
from outside sources (t)	81 249	77 403	250 372
Total milled (t)	123 000	155 345	436 143
Gold produced (kg)	141,5	152,5	440,5
Yield (g/t)	1,2	1,0	1,0
Price received (R/kg)	34 030	32 394	32 905
Revenue (R/t milled)	39,25	31,85	33,31
Cost (R/t milled)	40,25	32,02	33,86
(Loss) (R/t milled)	(1,00)	(0,17)	(0,55)
Revenue (R000)	4 828	4 947	14 530
Cost (R000)	4 951	4 974	14 770
(Loss) (R000)	(123)	(27)	(240)
FINANCIAL RESULTS (R000)			
Working (loss)/profit: Gold	(123)	448	404
Net sundry revenue	94	316	637
(Loss)/profit before tax and State's share of profit	(29)	764	1 041
State's share of profit	8	2	16
(Loss)/profit after tax and State's share of profit	(37)	762	1 025
Capital expenditure	(34)	326	497

CAPITAL EXPENDITURE. The unexpended balance of authorised capital expenditure at 31 March 1990 was R2,0 million.

SALE OF DROOGEBULT. A circular containing full details regarding the proposed disposal of the Droogebult mining title and related assets was posted to shareholders on 30 March 1990. The general meeting of shareholders, which has been convened for the purpose of obtaining shareholders' approval to the disposal, will be held on 17 April 1990 at 12.00. Accordingly the effect of the sale of Droogebult is not included in these results.

PRODUCTION. Following the anticipated sale of Droogebult and the depletion of available surface sources the milling rate during the quarter reduced from 70 000 tons per month to 41 000 tons per month.

On behalf of the board
M. J. Tagg, A. J. Wright } Directors

3 April 1990

Venterspost

Venterspost Gold Mining Company Limited
(Registration No. 05/05652/06)

ISSUED CAPITAL: 20 200 000 ordinary shares of 25 cents each, fully paid. 29 800 000 deferred shares of 25 cents each, fully paid.

	Quarter ended 31 March 1990	*Quarter ended 31 Dec. 1989*	*Nine months ended 31 March 1990*
OPERATING RESULTS			
Gold			
Ore milled (t)	390 000	415 200	1 210 200
Gold produced (kg)	1 586,5	1 530,1	4 603,3
Yield (g/t)	4,1	3,7	3,8
Price received (R/kg)	33 765	32 593	32 898
Revenue (R/t milled)	137,35	119,99	125,31
Cost (R/t milled)	139,79	119,73	125,39
Profit/(Loss) (R/t milled)	7,94	0,26	(0,08)
Revenue (R000)	55 716	49 818	151 646
Cost (R000)	50 618	49 711	151 745
Profit/(Loss) (R000)	5 098	107	(99)
FINANCIAL RESULTS (R000)			
Working profit/(loss): Gold	5 098	107	(99)
Net sundry revenue	1 996	267	4 994
Recovery under loss of profits insurance	—	1 300	4 705
Profit before tax	7 094	1 674	9 562
Tax	3 081	(326)	4 732
Profit after tax	4 013	2 000	4 830
Capital expenditure			
Existing mine	262	1 382	2 173
No. 4 Shaft Project	7 512	11 597	27 317

CAPITAL EXPENDITURE. The unexpended balance of authorised capital expenditure at 31 March 1990 was R84,7 million.

PRODUCTION. Ore milled was 390 000 tons which is in line with the decision to reduce the milling rate to 130 000 tons per month from January 1990.

No. 4 SHAFT COMPLEX. The shaft was sunk 260 metres to a depth of 530 metres below collar. The 10 Level haulage advanced 190 metres to a total of 2 029 metres and is now 60% complete. Progress was hampered by the intersection of water-bearing fissures in the vicinity of the Gemsbokfontein No. 1 Dyke. The 10 Level development crew was utilised to advance 24 Level haulage by 210 metres during the delays caused by the water intersection. 24 Level has now advanced a total of 319 metres and is 5% complete.

MINING LEASE. The State has agreed in principle that the company mine the extension area and a mining lease which will consolidate all the mining titles will be entered into in due course. The following single State's share of profit formula will be applicable to the entire area:

$$Y = 10 - \frac{60}{X}$$

where Y = the percentage of divisible profit payable to the State
and X = the ratio of mining profit (after the deduction of redeemable capital expenditure) to mining revenue expressed as a percentage.

The amount as determined by the above formula is subject to a surcharge of 1,25%.

RIGHTS OFFER. The rights offer of linked units which was made to shareholders during January 1990 in order to raise an amount of approximately R159,5 million (net of estimated expenses of R5 million) was successfully concluded. Acceptances representing 96,4% of the offer were received, with the balance being taken up by Gold Fields of South Africa Limited, underwriter to the offer. Accordingly 25 000 000 deferred shares were allotted on 15 February 1990.

On behalf of the board
M. J. Tagg, A. J. Wright } Directors

3 April 1990

Doornfontein

Doornfontein Gold Mining Company Limited
(Registration No. 05/24709/06)

ISSUED CAPITAL: 40 000 000 shares of 25 cents each, fully paid.

	Quarter ended 31 March 1990	*Quarter ended 31 Dec. 1989*	*Nine months ended 31 March 1990*
OPERATING RESULTS			
Gold			
Ore milled (t)	390 000	390 000	1 170 000
Gold produced (kg)	2 052,5	2 065,2	6 085,0
Yield (g/t)	5,3	5,3	5,2
Price received (R/kg)	33 985	32 472	32 932
Revenue (R/t milled)	179,06	172,13	171,48
Cost (R/t milled)	155,77	163,09	159,73
Profit (R/t milled)	23,29	9,04	11,75
Revenue (R000)	69 836	67 134	200 632
Cost (R000)	60 752	63 607	186 889
Profit (R000)	9 084	3 527	13 743
FINANCIAL RESULTS (R000)			
Working profit: Gold	9 084	3 527	13 743
Net sundry revenue	1 400	1 786	5 121
Profit before tax and State's share of profit	10 484	5 313	18 864
Tax and State's share of profit	752	869	2 383
Profit after tax and State's share of profit	9 732	4 444	16 481
Capital expenditure	6 418	8 447	24 610

CAPITAL EXPENDITURE. The unexpended balance of authorised capital expenditure at 31 March 1990 was R60,5 million.

On behalf of the board
A. J. Wright, M. J. Tagg } Directors

3 April 1990

Deelkraal

Deelkraal Gold Mining Company Limited
(Registration No. 74/00160/06)

ISSUED CAPITAL: 99 540 000 shares of 20 cents each, fully paid.

	Quarter ended 31 March 1990	*Quarter ended 31 Dec. 1989*	*Nine months ended 31 March 1990*
OPERATING RESULTS			
Gold			
Ore milled (t)	405 000	405 000	1 215 000
Gold produced (kg)	2 421,3	2 379,9	7 190,7
Yield (g/t)	6,0	5,9	5,9
Price received (R/kg)	33 444	32 778	32 834
Revenue (R/t milled)	200,23	192,79	194,63
Cost (R/t milled)	122,88	119,30	121,22
Profit (R/t milled)	77,35	73,49	73,41
Revenue (R000)	81 094	78 079	236 475
Cost (R000)	49 766	48 317	147 279
Profit (R000)	31 328	29 762	89 196
FINANCIAL RESULTS (R000)			
Working profit: Gold	31 328	29 762	89 196
Net sundry revenue	4 253	5 434	14 944
Profit before tax and State's share of profit	35 581	35 196	104 140
Tax and State's share of profit	6 042	2 998	11 743
Profit after tax and State's share of profit	29 539	32 198	92 397
Capital expenditure	15 832	19 923	50 987
Dividend	—	24 885	24 885

TAX. The new rate of mining tax as announced in the budget by the Minister of Finance has been used in the tax computation. Adjustment has also been made in respect of the proposal to tax consumable stores.

CAPITAL EXPENDITURE. The unexpended balance of authorised capital expenditure at 31 March 1990 was R223,7 million.

DIVIDEND. A dividend (No. 14) of 25 cents per share was declared on 12 December 1989, and was paid to members on 7 February 1990.

No. 3 SHAFT. The shaft was sunk 92 metres to a depth of 864 metres below the collar and the cutting of the intermediate pump chamber is in progress.

No. 3 SUB-VERTICAL SHAFT. Development of 8 and 9 Level station layouts continues. On 8 Level cutting of the Man Winder Chamber East has started.

On behalf of the board
A. J. Wright, M. J. Tagg } Directors

3 April 1990

Northam

Northam Platinum Limited
(Registration No. 77/03282/06)

ISSUED CAPITAL: 28 800 000 shares of 1 cent each, fully paid.

	Quarter ended 31 March 1990	*Quarter ended 31 Dec. 1989*	*Nine months ended 31 March 1990*
Pre-production Mine Development Expenditure (R000)			
Capital expenditure	48 301	45 640	126 711
Net income after tax	2 404	3 684	10 818
	45 897	41 956	115 893

All income and expenditure has been capitalised as pre-production mine development expenditure.

CAPITAL EXPENDITURE. The unexpended balance of authorised capital expenditure at 31 March 1990 was R583,6 million.

SHAFTS

ZONDEREINDE

No. 1 Shaft-Z. The shaft was sunk 51 metres to a depth of 1 802 metres below collar. The excavation of the 9 Level station landing was completed and development towards No. 2 Shaft and the reef and waste passes was started. Progress was hampered by the intersection of water-bearing fissures.

No. 2 Shaft-Z. The reef and waste passes between 7 and 8 Levels have been completed. The shaft has been equipped up to 691 metres below collar.

Reef Intersections. *The UG2 was encountered at a depth of 1 735 metres below surface on the 8 Level station at No. 1 Shaft where good exposures were obtained. The relevant figures are as follows:*

Reef	Locality	Stope Width cm	3 Element PGM + Au grade g/t	3 Element PGM + Au grade cm. g/t
UG2	8 Level station	128	4,55	582

The values were in line with expectations. Members are reminded that at present there are no plans to mine this reef.

On behalf of the board
A. J. Wright, M. J. Tagg } Directors

3 April 1990

GOLD FIELDS OF SOUTH AFRICA LIMITED

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INTERNATIONAL COMPANIES AND FINANCE

Southland warns of impending bankruptcy

By Anatole Kaletsky in New York

SOUTHLAND, the highly leveraged parent company of the 7-Eleven convenience stores group, warned it would have to seek bankruptcy protection unless it could complete a financial restructuring in the near future.

The company, taken over two years ago in a $5bn leveraged buy-out, agreed on March 22 to sell 75 per cent of its equity to Ito-Yokado, the Tokyo retailing group which franchises 7-Eleven stores in Japan.

However, the Ito-Yokado deal, which would pump $400m of new equity into the company's overstretched balance sheet, was contingent on an exchange offer which would sharply reduce the claims of Southland's junk bond holders.

Southland has offered about $600m worth of new bonds and equity in exchange for bonds with face value of more than $1.8bn.

The announcement about a possible bankruptcy, which was contained in Southland's quarterly financial report, seemed calculated to increase pressure on recalcitrant bond holders who had expressed opposition to the Ito-Yokado deal.

The exchange offer must be approved by 95 per cent of each class of Southland's bond holders.

The bankruptcy warning was accompanied by a $1.01bn non-cash write-off of goodwill, which left Southland with a net loss of $1.31bn in 1989.

Although the company stressed the loss announced for last year did not reflect accounting items rather than cash outflows, it indicated that its financial situation had deteriorated sharply in the past few months.

Due to potential violation of bankers' covenants, the company's auditors expressed "substantial doubt about Southland's ability to continue as a going concern."

As a result, the company concluded "it would ultimately have to seek relief under the US bankruptcy code" unless it could consummate a financial restructuring.

Magna Int'l considers asset sales

By Bernard Simon in Toronto

MAGNA International, the troubled Canadian auto parts maker, hopes to secure creditors' agreement for a plan to cut its C$1.1bn (US$940.2m) debt almost in half by selling various businesses, real estate and other assets.

A Magna official said yesterday the company proposed to raise about C$480m towards debt reduction. The plan will be put in place once its financial adviser, Ernst & Young, has worked out "a fair and equitable" formula to disburse cash from the asset sales among three Canadian and 12 foreign banks.

The company's main creditors are Bank of Nova Scotia, Royal Bank of Canada and Canadian Imperial Bank of Commerce. A draft has also been prepared of a standstill agreement on debt and interest payments which the company proposes to extend to May 31.

Magna, once viewed as one of the great Canadian success stories of the 1980s, said last month that over-ambitious expansion, compounded by the slowdown in the North American motor industry and high interest rates, had created a cash crunch and forced a restructuring.

The company suffered a C$186.6m loss in the quarter to January 31, including asset writedowns of C$153m. In its heyday Magna operated about 120 factories with more than 15,000 workers, mostly in the US and Canada.

The official said Magna aimed to execute the debt reduction plan over about 12 months. Elements of the package include:

- Vacant land, which the company values at about C$70m, will be sold, while sale and leaseback deals will be concluded on "selected" factories for total proceeds of C$150m;
- Another C$150m will be raised from the sale of six or seven troubled operations or refinancing provided by customers. Among them is a plastic bumper plant being sold to two Japanese partners. Ford Motor is being asked to ease the conditions of a loan to an Illinois wood fibre and interior door panel plant. These operations are losing an estimated C$66m a year.
- Two clusters of small plants which Magna declined to identify are being packaged for sale with the aim of raising C$180m;
- A further small amount will be raised from the sale of peripheral businesses, such as a restaurant, a publishing venture and a Colorado condominium development.

Magna has also asked customers for accelerated payments while delaying its payments to suppliers to help it over its liquidity squeeze during some of the slowest months in the recent history of the North American motor industry.

Once the restructuring is complete, Magna will comprise four divisions: its original metal stampings business; interior systems, especially seats; plastic body panels and exterior trim; and pulleys and accessory drives, for which it has an estimated 80 per cent share of the market.

CSX falls despite higher sales

By Karen Zagor in New York

CSX, a leading US railway and transport group, suffered a decline in first-quarter operating income on higher revenues.

The company was hit by steeper fuel prices, lower traffic volumes in some of its businesses, and the cost of restructuring a subsidiary.

In the first three months net earnings from continuing operations plunged to $26m or 24 cents a share from $77m or 70 cents a year earlier.

Operating revenues advanced to $1.9bn from $1.8bn. Operating income dropped to $115m in the first quarter this year from $188m previously.

CSX attributed the decline to higher operating expenses, which rose to $1.8bn from $1.7bn.

However, an after-tax gain of $52m or 53 cents from the sale of stock in CSX Energy, the company's natural gas liquids processing unit, helped push CSX's final net income in the latest first quarter to $77m from $82m.

The 1990 earnings include a net charge of $33m or 34 cents from the restructuring of Sea-land Service, the company's container-shipping subsidiary. In 1989 CSX had an extraordinary gain of 4 cents a share.

Earnings per share rose to 76 cents from 74 cents, thanks to fewer shares outstanding in the latest three months.

Coal tonnage advanced 2 per cent to 45.2m tons.

SEC probe at First Executive

By Janet Bush in New York

FIRST EXECUTIVE, the troubled Los Angeles-based insurance company, disclosed it is the subject of a formal investigation by the Securities and Exchange Commission which is examining the possibility of securities law violations.

First Executive, one of the most enthusiastic members of the junk bond-buying network set up by Mr Michael Milken, former head of high-yield bonds at Drexel Burnham Lambert, earlier this week announced a net loss of $835.7m in 1989 due to its distressed junk bond holdings.

The insurer said in its annual report that California regulators had forced Executive Life Insurance Co, its main subsidiary, to refrain from buying any more junk bonds and from large transactions with affiliates without prior approval of regulators.

California's Department of Insurance has placed permanent observers at the company. The SEC investigation, according to First Executive, started in January on an informal basis but was made formal last month and relates to possible violations of securities laws since June 1988, when First Executive announced plans for a $284m rights issue.

Modest advance at Corning

By Karen Zagor

CORNING yesterday reported modest growth in profits and sales following strong performances in laboratory services and communications, which offset weakness in the consumer products business.

Net income in the three months to March 25 advanced 13 per cent to $47.1m or 49 cents a share from $41.8m or 47 cents in 1989. Excluding extraordinary items in both years, net earnings in the latest quarter rose 8 per cent to $42.4m or 44 cents a share.

The company, based in Corning, New York, said net sales in the first quarter grew 13 per cent to $603.2m from $533.5m a year ago.

When adjusted for the consolidation of Siecor, which was formerly an unconsolidated affiliate, sales improved 8 per cent in the 1990 quarter.

Mr James Houghton, chairman, said: "A slow start for the year was not unexpected. We're looking for better comparisons as the year progresses, and we anticipate 1990 in total to be another good year."

Income from operations advanced in the latest three months in spite of heavy spending on new technology and products, particularly liquid-crystal-display glass, optical communications components and tougher new-generation optical fibres.

The group attributed a decline in income from equity operations to weakness at Samsung-Corning Company in South Korea. Corning said this more than offset solid performances from Dow Corning and other companies.

GFSA production held back by fires

By Jim Jones in Johannesburg

UNDERGROUND fires at two mines and the enforced abandonment of low-grade mining areas at another cut gold production by Gold Fields of South Africa (GFSA) mines during this year's first quarter.

As a whole the group produced 26,278 kg of gold against 27,942 kg in the three months to last December as overall the ore milling rate and gold recovery grade dropped.

The main setback was at the Kloof mine where unexpectedly low grades forced management to halt work in the northern section.

Kloof is continuing the development of its new Leeudoorn area in the southern part of its mine property.

Mr Alan Wright, head of GFSA's gold division, says the area's gold recovery grades are likely to be in the region of 7 grams per tonne (g/t) against a March quarter average for the present mine of 10.8 g/t.

Driefontein Consolidated, the group's largest gold mine, was affected by an underground fire in its east section which led to the temporary closure of a comparatively high-grade mining area. The same problem affected the Libanon mine where a small increase in the gold recovery grade failed to compensate for a reduction in ore production. As a result the mine suffered an operating loss which was covered by sundry non-mining income.

Neighbouring Venterspost has reduced its milling rate to a monthly 130,000 tonnes to cut costs and to concentrate extraction on the few remaining high-grade areas.

GFSA GOLD QUARTERLIES

	Gold produced (kg)		After-tax profit (Rm)		Earnings (cents per share)	
	Mar 90	Dec 89	Mar 90	Dec 89	Mar 90	Dec 89
Deelkraal	2,421	2,380	29.5	32.2	15.8	12.3
Doornfntn.	2,053	2,065	8.7	4.4	5.3	(10.0)
Drie Cons	12,510	13,039	114.6	119.0	35.9	31.5
Kloof	5,614	5,825	95.3	112.6	8.7	21.5
Libanon	1,750	1,801	0.3	2.3	(10.6)	(4.7)
Venterspost	1,569	1,526	4.0	2.0	(7.5)	(45.4)
Vlakfontein	142	158	nil	0.8	nil	8.4

Earnings per share are calculated after capital expenditure. Parentheses = negative

Shearson sees losses of $900m

SHEARSON Lehman Hutton, the troubled Wall Street securities house, said it anticipated a loss of around $900m in its first quarter because of charges related to cutting its workforce and restructuring its business, writes **Janet Bush in New York**. The charges are the largest ever associated with a restructuring in Wall Street.

Shearson, which recently received $1.35bn in fresh capital from American Express, its parent, said it would take a first-quarter charge of $630m because of restructuring costs and another one-time charge of $157m due to a change in accounting procedure.

It said that it anticipated a net loss after charges of between $897m and $917m.

Full bid for Pine Point

A COMPANY jointly owned by Teck Corp of Vancouver, West Germany's Metallgesellschaft and MIM Holdings of Australia is to make a C$125m (US$106.8m) bid for the 54 per cent stake it does not own in Pine Point Mines, a Canadian lead and zinc producer, writes **Bernard Simon in Toronto**.

Nunachiaq, the joint venture between the three mining groups, which also has a controlling interest in Cominco, the big lead and zinc producer, is offering C$50 a share for the 2.5m Pine Point public shares.

Nunachiaq said it has a lock-up agreement with Sprott Securities of Toronto on behalf of holders of about 1.82m Pine Point shares who have committed to tender to its bid.

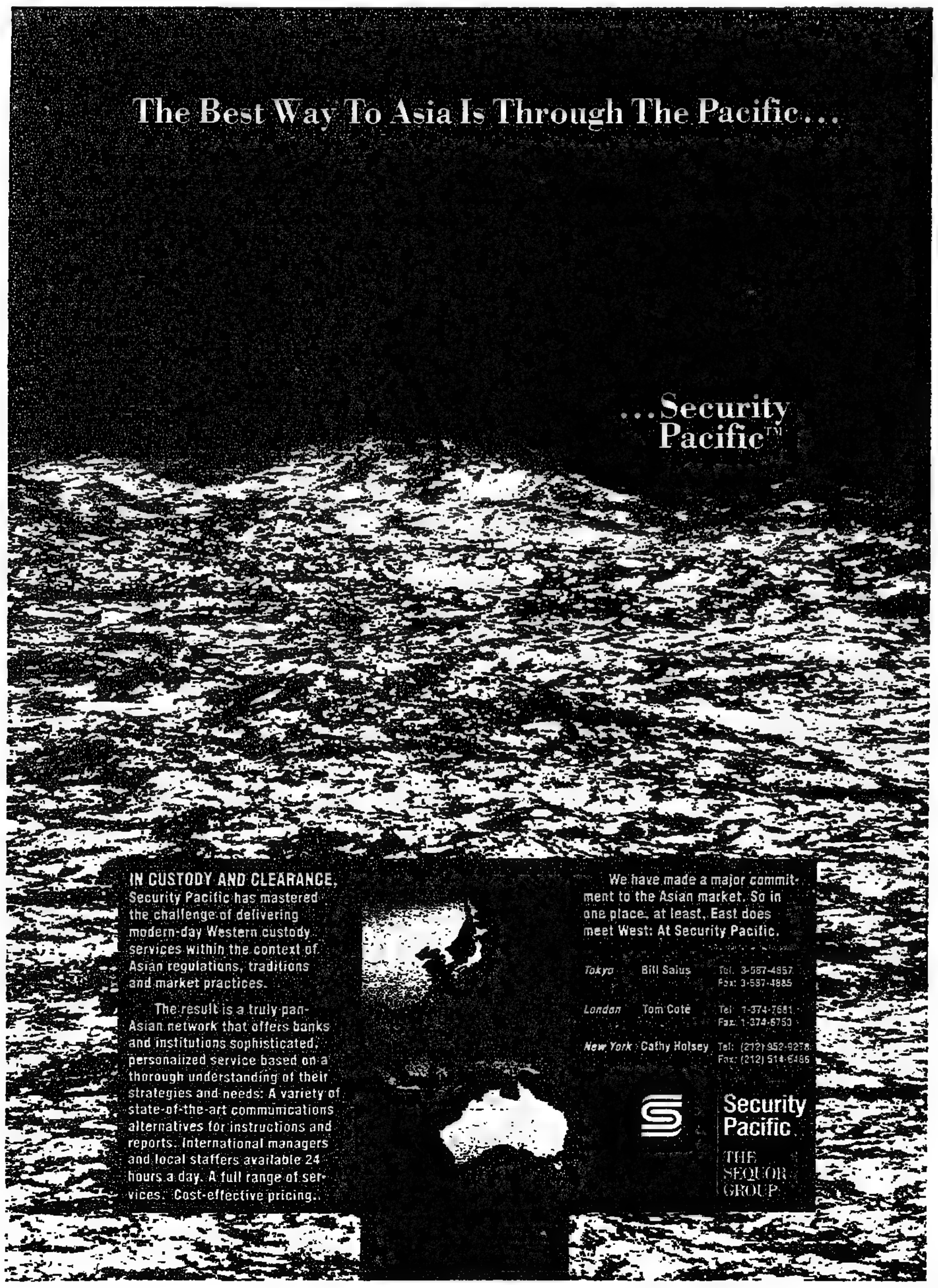
Sprott has been negotiating with Teck and its partners for some time to sell its stake in Pine Point. Boosted partly by higher zinc prices, Pine Point's earnings soared by 64 per cent last year to C$94.1m.

Fleet/Norstar registers rise in troubled loans

THE impact of the real estate decline in New England on the region's banks has been underlined again by an announcement from Fleet/Norstar Financial Group, the second largest bank in the area, of a large increase in troubled loans, writes **Martin Dickson in New York**.

Fleet/Norstar, which is considered less vulnerable to problem property loans than some large rivals, estimated that non-performing assets would be about $600m at March 31 1990, against $400m at the end of 1989. It warned there could be further increases as banking regulators completed their examination of the bank's portfolio.

Banking examiners have been studying many East Coast financial service companies. Bank of Boston, the region's largest bank, recently announced substantial write-offs while the troubled Bank of New England has recorded heavy losses.



INTERNATIONAL COMPANIES AND FINANCE

Spotlight on an Australian merger

Bruce Jacques examines barriers to the ANZ, National Mutual union

The world's financial services community will be watching for any slip-ups as Australia and New Zealand Banking Group (ANZ) and National Mutual Life Association, two of Australia's financial giants, try to put together their A$3.4bn (US$2.57bn) merger announced on Monday.

It will be a world first for such a big merger across traditional banking and insurance borders. It is already throwing up a myriad of legal and regulatory issues in an Australian financial system ill-prepared to deal with the onslaught.

This is in spite of the fact that the main trend in the Australian system since the late 1980s has been a blurring of the traditional distinctions separating the various financial services sectors.

The big three banks, of which ANZ is one, have become active in life assurance, pensions and fund management, while the larger insurance offices have likewise sprouted banking arms and increasingly moved into mortgage-type products.

However, ANZ and National Mutual have sought to sidestep the plethora of problems inherent in a true merger of their vastly different organisations – described by one observer as similar to trying to graft a hog's head on to a giraffe – by deciding on a straight partial takeover by ANZ.

But the planned purchase of a 51 per cent stake in National Mutual by ANZ still poses a central issue for the authorities – should two such groups be permitted to get together at all, whatever the method?

The problem for the Australian authorities is that the merger, which will create the country's biggest financial services group with assets of A$91bn and funds under management of a further A$39bn, falls awkwardly between two administrative and legal stools.

Until financial deregulation swept Australia in the mid-1980s, everything fitted neatly into its place. The Reserve Bank, the country's central bank, controlled banking and all its offshoots and a bureaucrat, now called the Superannuation and Life Insurance Commissioner, oversaw almost everything else.

It was all pretty clear cut, with no real problems in marking out the territory. More recently the neatness had only been slightly disturbed by some cross-border dabbling. But the ANZ-National Mutual deal has blown away any thoughts of minor damage control and will force both regulatory bodies to review whether such transactions render their powers obsolete.

It may seem a technical argument, but at stake is protection of billions of dollars of investments by the public. And in the atmosphere of corporate crashes in Australia, no regulatory body can afford to take risks.

The issues are perhaps at their sharpest for the Reserve Bank which has only just forced Australia's banks to conform to international prudential requirements as laid down by the Bank of International Settlements.

Now ANZ, under Mr Will Bailey, managing director, is threatening to force a redefinition of these ratios. The question of just what status insurance and superannuation assets should have has already caused concern at Standard & Poor's, the New York-based credit rating agency.

S&P has placed some ANZ paper on its credit watch list, with negative implications. "While the combination will create Australia's largest and most diversified financial institution, the impact on ANZ's capital adequacy and performance is unclear at present," S&P said.


Will Bailey: managing director of ANZ

"The merger will also give National Mutual added capital to support its operations and improve financial flexibility, but it is unclear what additional demands, if any, will be placed on the insurer to provide financial support to a parent with a higher risk profile."

That comment goes to the heart of the regulatory difficulties, identifying the risks on both sides. The deal will be consummated by National Mutual assuming a hybrid corporate status limited by shares and guarantee. But to protect the interests of policyholders – *who will not be shareholders* – the National Mutual board will be bound by rules which specify how profits are calculated and how they can be distributed.

That is where the Insurance Commissioner comes in, because that office is charged with making sure insurers maintain sufficient reserves to pay benefits to policyholders over a long period. The office may take the view that having a return-hungry bank as a main shareholder is hardly conducive to prudent management of an insurer.

The issues are just as broad for Mr Paul Keating, the Federal Treasurer, and the Trade Practices Commission. Both have spent most of the past few years worrying about mergers between big banks. They now have to look at control and market share issues across the spectrum of financial services.

And all these regulatory bodies need to get it right the first time because a successful ANZ-National Mutual merger could provoke a rash of similar deals, although most of Australia's other large institutions appear fairly fully committed.

National Australia Bank has just spent about A$2bn buying the UK-based Yorkshire Bank, and Westpac has developed a sizeable life assurance operation. Commonwealth Bank appears stymied because of its federal government ownership, but the state government-owned banks and insurance offices may be more likely merger candidates.

The AMP Society, Australia's biggest insurance office with total assets of about A$50bn, has just completed a A$2.3bn takeover of Pearl Assurance in the UK, and is preoccupied with bedding this down.

The ANZ-National Mutual deal also leaves question marks over the recent scramble by Australia's big three private banks to buy shares in each other. ANZ and National Australia Bank each own about 8 per cent of the other's shares, while Westpac owns about 7.5 per cent of ANZ.

'We can't beat them, so we'll buy them'

By David Barchard

THE PROPOSED merger between ANZ and National Mutual is the most ambitious attempt yet seen to forge a single financial services group out of a bank and an insurer. However, it is not entirely without precedent.

In the UK Lloyds Bank bought a controlling stake in Abbey Life in 1988 at what was widely regarded as a bargain price. Last year Britannia Building Society, a much smaller institution, bought and demutualised FS Insurance of Glasgow.

Allfinanz, the linking up of banks and insurance companies in an all-round financial services group, appeals strongly to banks. The word reflects German moves such as Dresdner Bank's marketing pact with Allianz, Europe's biggest insurance group, to cross-market each other's products. Last year Commerzbank bought a half share for an estimated DM150m ($88.2m) in DBV & Partners, another large insurer.

Mr Patrick Frazer of DIBC, a London banking consultancy group, said: "ANZ is fairly typical in deciding that although it has set up its own insurance company, it has lost ground in the market against independent insurance companies. In effect it is saying, we can't beat them, so we will buy them."

In Australia, as in most other advanced economies, savings are flowing into life *assurance and superannuation funds* at the expense of the banking sector.

Mr Frazer sees the ANZ move as "a way of increasing their share of the overall retail financial services market without running into restrictions on monopolies that they would face if two large banks tried to merge. That is what is behind Allfinanz everywhere."

The deal offers attractions for the insurance company. It has the prospect of selling to "warmed bodies" in the bank's customer base and generating more sales than it can do in the cold. If the plan works out and expenses drop, National Mutual's policyholders stand to benefit.

Advocates of demutualisation also point to a trail of costly acquisitions where mutual companies have paid over the odds because they were not under pressure from shareholders.

But the policyholders will be surrendering control and National Mutual will have a hybrid of mutual and equity ownership which seems to have no precedent. Attempts to demutualise insurance companies are becoming more common – but they tend to be legally complex and politically stormy.

Court defeat for Bond

By Bruce Jacques

MR ALAN BOND, the troubled Western Australian businessman, has lost his court battle to win damages from a consortium led by National Australia Bank, which had the Bond breweries placed in receivership late last year.

A hearing before the Victorian Supreme Court yesterday found Bond had no legal recourse for damages. This was in spite of the court's acknowledgement that the Bond brewing operations had been financially damaged by being placed in receivership and that Bond had a moral right to damages.

The decision follows the NAB syndicate's failure last month to have its appeal against removal of the receivership order from the breweries heard by the High Court.

The Victorian Supreme Court ordered that receivers be removed from the Bond breweries last month.

The failure to obtain damages removes a strong negotiating lever from the Bond group, which is trying to convince NAB to back a proposed sale of the breweries to its Bell Resources offshoot for A$1.85bn (US$1.38bn).

The bank has a hearing listed for May 1, alleging that Bond's breweries are insolvent.

Interest costs slow Santos

By Bruce Jacques in Sydney

SANTOS, Australia's largest onshore petroleum producer, has been slow to benefit from its takeover 15 months ago of Peko Oil, recording a sluggish earnings result for calendar 1989.

Net earnings edged up just 1.6 per cent to A$93.3m (US$70.6m), failing to match a 29 per cent revenue lift to A$560.6m.

The result was held back by interest costs which almost doubled to A$164.7m from A$83.8m and depreciation of A$146.2m from A$116.9m.

The annual dividend has been held at 19 cents a share on capital increased by a one-for-four rights issue during the year. Directors indicated that the increased revenue reflected the inclusion of Peko Oil and higher petroleum prices.

The result was also affected by a fall in exchange gains from A$39.1m to A$16.6m.

Profits available to shareholders were far higher than the previous year due to the absence of extraordinary items.

Directors said the higher interest costs reflected higher borrowings on the Peko acquisition, an increased proportion of debt denominated in Australian dollars and high local interest rates.

Novo Nordisk

To the Shareholders of Novo-Nordisk A/S

The Company will hold its Annual General Meeting on
Tuesday, April 24, 1990, at 4.30 p.m.
at the Company's headquarters, Novo Allé, Bagsvaerd, Denmark.

Agenda

1. The Board of Directors' report on the Company's activities in the past financial year
2. Presentation of the Financial Statements, Auditors' Report and Annual Report as well as the Consolidated Financial Statements
3. Resolution concerning adoption of Profit and Loss Account and Balance Sheet, hereunder discharge of Management and Board of Directors from their obligations
4. Resolution concerning application of profit according to the adopted Financial Statements
5. Election of members to the Board of Directors
6. Election of auditors
7. Proposals from the Board of Directors
   a. A proposal from the Board of Directors to leave out the hyphen in the Company's name so that Article 1, section 1, of the Articles of Association is amended as follows:
   "The name of the Company is Novo Nordisk A/S"
   b. A proposal from the Board of Directors to the effect that the Board of Directors until next year's Annual General Meeting be authorised to acquire up to ten per cent of the Company's share capital at a price between 90 and 110 per cent of the official quoted price at the time of acquisition
8. Miscellaneous

The resolution as to adoption of the proposal submitted under Item 7.a. of this Agenda shall be carried by shareholders representing at least 2/3 of the total number of votes in the Company represented at the General Meeting and by at least 2/3 of the votes cast as well as of the voting capital represented at the General Meeting, as provided in Article 10(b) of the Articles of Association.

Admission cards and voting papers are available by postal application or for collection at the Company's office, Novo Allé, DK-2880 Bagsvaerd, Denmark, on all business days between 10 am and 3 pm from April 4 to April 19, 1990, both days inclusive.

Where B-shares are registered by the Company under the holder's name, admission cards and voting papers will be issued directly to a shareholder (stating the nominal value of his/her shares).

In respect of other shares, admission cards and voting papers are issued against production of documentation considered in the opinion of the Company to be satisfactory, e.g. a deposit statement not more than five days old from the Danish Securities Centre (Vaerdipapircentralen) or the institution holding the shares on deposit, as documentation for the shareholding, together with a declaration from the shareholder stating that shares have not been sold after issuance of the statement nor that it is the intention of the shareholder to do so before the Annual General Meeting.

The Agenda, the complete proposals and the Financial Statements, Auditors' Report, Annual Report as well as the Consolidated Financial Statements will be available for inspection by the shareholders at the Company's office as from Thursday, April 5, 1990. The documents are available from the Company or from Infopress Ltd., 2–3 Salisbury Court, Fleet Street, London EC4Y 8AA. However, the Agenda and the Annual Report will be sent to shareholders whose shares are registered under the holder's name in the Company's register of shareholders.

The dividend as approved at the Annual General Meeting will – after deduction of withholding tax – be sent to Novo-Nordisk A/S' shareholders directly via The Danish Securities Centre (Vaerdipapircentralen).

Bagsvaerd, April 1990

The Board of Directors

TENDER NOTICE

UK GOVERNMENT ECU TREASURY BILLS

For tender on 10 April 1990

1. The Bank of England announces the issue by Her Majesty's Treasury of ECU 1,000 million nominal of UK Government ECU Treasury Bills, for tender on a bid-yield basis on Tuesday, 10 April 1990. An additional ECU 50 million nominal of Bills will be allotted directly to the Bank of England.

2. The ECU 1,000 million of Bills to be issued by tender will be dated 12 April 1990 and will be in the following maturities:

ECU 300 million for maturity on 10 May 1990
ECU 300 million for maturity on 12 July 1990
ECU 400 million for maturity on 11 October 1990

3. All tenders must be made on the printed application forms available on request from the Bank of England. Completed application forms must be lodged, by hand, at the Bank of England, Securities Office, Threadneedle Street, London not later than 10.30 a.m., London time, on Tuesday, 10 April 1990. Payment for Bills allotted will be due on Thursday, 12 April 1990.

4. Each tender at each yield for each maturity must be made on a separate application form for a minimum of ECU 500,000 nominal. Tenders above this minimum must be in multiples of ECU 100,000 nominal.

5. Tenders must be made on a yield basis (calculated on the basis of the actual number of days to maturity and a year of 360 days) rounded to two decimal places. Each application form must state the maturity date of the Bills for which application is made, the yield bid and the amount tendered for.

6. Notification will be despatched on the day of the tender to applicants whose tenders have been accepted in whole or in part. For applicants who have requested credit of Bills in global form to their account with Euro-clear or CEDEL, Bills will be credited in the relevant systems against payment. For applicants who have requested definitive Bills, Bills will be available for collection at the Securities Office of the Bank of England after 1.30 p.m. on Thursday, 12 April 1990 provided cleared funds have been credited to the Bank of England's ECU Treasury Bills Account No. 59005516 with Lloyds Bank Plc, International Banking Division, PO Box 19, Hays Lane House, 1 Hays Lane, London SE1 2HA. Definitive Bills will be available in amounts of ECU 10,000, ECU 50,000, ECU 100,000, ECU 500,000, ECU 1,000,000, ECU 5,000,000 and ECU 10,000,000 nominal.

7. Her Majesty's Treasury reserve the right to reject any or part of any tender.

8. The arrangements for the tender are set out in more detail in the Information Memorandum on the UK Government ECU Treasury Bill Programme issued by the Bank of England on behalf of Her Majesty's Treasury on 28 March 1989, and in supplements to the Information Memorandum. All tenders will be subject to the provisions of that Information Memorandum (as supplemented).

9. The ECU 50 million of Bills to be allotted directly to the Bank of England will be for maturity on 11 October 1990. These Bills may be made available through sale and repurchase transactions to the market makers listed in the Information Memorandum (as supplemented) in order to facilitate settlement.

10. Copies of the Information Memorandum (and supplements to it) may be obtained at the Bank of England. UK Government ECU Treasury Bills are issued under the Treasury Bills Act 1877, the National Loans Act 1968 and the Treasury Bills Regulations 1968 as amended.

Bank of England
3 April 1990

INTERNATIONAL CAPITAL MARKETS

Second launch in France of asset-backed bonds

By Norma Cohen

CREDIT LYONNAIS and Bear Stearns yesterday launched the French market's second offering of asset-backed bonds since rules were enacted making the issuance of such securities possible.

It is the first French issue to use the senior-subordinated structure to guarantee a top-flight AAA credit rating – a process made easier in France by the regulatory treatment accorded the structure.

Crédit Lyonnais-FCC-1991-1, the special-purpose vehicle established to issue the securities, is owner of FFr1bn in consumer loans from Crédit Lyonnais' balance sheet.

The issue consists of FFr875m in senior debt, bearing a coupon of 10.20 per cent, and is priced at 99.46 to yield 60 basis points over comparable maturity BTAN government bonds. The bonds mature in September 1993, but because of principal repayments on the loans will have an average life of 1.464 years.

There is also a subordinated tranche of FFr125m of consumer loans intended to act as an insurance policy for interest and principal repayment shortfalls from loans in the larger pool. If loans in the senior pool do not repay on time, cash flow from the subordinated tranche is diverted to pay senior bond investors.

Crédit Lyonnais intends to take the subordinated tranche – which carries the lowest investment grade of Baa3 – on to its own books, with the possibility of selling the securities later.

This option cuts the cost for issuers which use the senior-subordinated structure, because normally subordinated tranches must carry high interest rates to induce investors to buy the risky securities.

INTERNATIONAL BONDS

The Bank of France has taken a more relaxed regulatory view than the Bank of England on how institutions must reserve for the subordinated tranche if they maintain it on their balance sheet. While the Bank of England would require banks to set aside reserves for the entire pool of loans, taking the view that none have genuinely been removed from the balance sheet, the Bank of France only requires its institutions to reserve for the subordinated tranche.

The French banks are also required to make loan loss provisions in an amount equal to the anticipated default level of the subordinated tranche but overall, the French regulatory treatment requires less capital than the British.

Under the Basle accord, individual central banks have some discretion about how they interpret international rules on capital adequacy, and the treatment of securitised assets remains open to interpretation.

Separately, Industrialisation Fund of Finland issued a FM100m three-year bond, the first to be lead managed by a non-Finnish bank since the liberalisation of the markets on February. Nikko Securities Europe is lead manager.

The bonds, which will be listed in Helsinki, carry a coupon of 13¾ per cent and are priced at 100⅝. The bonds are aimed at Japanese investors and are not expected to trade widely.

State Bank of South Australia issued a NZ$80m three-year Eurobond via Fay Richwhite UK. The bond carries a coupon of 14 per cent and is priced at 101.95 to pay 18 basis points over a composite government bond. Although the bonds are expected to sell slowly, the lead manager said that interest is expected from holders of some NZ$210m of securities maturing this month.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
FRENCH FRANCS						
Credit Lyonnais-FCC-1990-1(b)♦	875	10.20	99.46	1993	70bp	Credit Lyonnais
CANADIAN DOLLARS						
Fed.Bus. Dev.Bank Canada(a)♦	35	13⅛	101⅛	1995	1⅞/⅞	Bqe Int.'a Luxembourg
NEW ZEALAND DOLLARS						
State Bk South Australia(a)♦	80	14	101.95	1992	1¼/⅞	Fay Richwhite
FINNISH MARKKA						
Ind. Fund of Finland(a)♦	100	13¾	100⅝	1993	1⅞/⅞	Nikko Secs. (Europe)

♦Final terms. a) Non-callable. b) FFr1bn total amount issued. FFr125m set aside to cover defaults on any of the credits in the public tranche. Backed by consumer loans. Average life 1.46 years. Call at par when the outstanding amount falls below 10%.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on April 3

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Austria 9½ 93	140	†100½	101⅛	-0⅛	-0⅛	9.27
B.F.C.E. 8⅞ 94	175	*96½	96⅞	0	-0⅜	9.36
B.F.C.E. 9¼ 95	150	†99½	99⅝	-0⅛	-0⅛	9.38
Brit. Tel. Fin. 9⅜ 96	250	*99⅜	99⅞	0	-0⅛	9.38
Canada 9 96	1000	99½	100⅛	-0⅛	-0⅛	9.05
C.C.C.E 9¼ 95	300	99½	100	0	-0⅛	9.31
Cr.Local France 8⅞ 99	250	†95½	96	-0⅛	-0⅜	9.48
Credit National 7⅞ 92	100	†96⅛	97⅛	0	0	9.10
Credit National 9⅞ 92	160	†100⅛	100⅞	-0⅛	-0⅛	9.25
Denmark 8⅞ 94	150	*95⅜	95⅞	0	-0⅜	9.42
E.E.C. 7 91	100	†96⅞	96⅞	-0⅛	-0⅛	9.23
E.E.C. 10 95	140	*101⅛	102	0	-0⅛	[illegible]
E.I.B. 8⅞ 99	150	[illegible]	94⅛	-0⅛	-1	9.44

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Canada 6⅞ 92	80	98⅞	99⅛	+0⅛	+0⅛	0.07
Canada 5⅞ 93	80	95⅝	95⅞	+0⅛	+0⅛	7.28
Cr.Local France 6⅛ 94	300	94⅝	95⅛	+0⅛	+0⅛	6.70
Denmark 6⅛ 95	300	95	95⅛	+0⅛	+0⅛	6.70
E.I.B. 4⅞ 93	30	94	94⅛	+0⅛	+0⅛	7.17
Norway 5⅛ 95	30	91⅛	91½	+0⅛	+0⅛	7.24
Sweden 4⅞ 93	30	92⅛	92⅝	+0⅛	+0⅛	7.35
World Bank 5⅛ 98	20	86⅝	87⅛	+0⅛	+0⅛	7.36
World Bank 7 94	20	98⅝	99⅛	+0⅛	0	7.32

Average price change... On day +0⅛ on week +0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey Nat. 10⅛ 94 C$	150	90⅞	90⅜	0	-1⅛	13.19
Abbey Nat. 11⅞ 93 £	100	93⅛	93⅝	+0⅛	+0⅛	14.53
Aegon 7⅛ 92 Fl	100	97⅛	98⅛	0	0	8.08
Alg. Bk. Ned. 5⅞ 93 Fl	200	91	91⅛	0	+0⅛	9.27
Austria 7½ 94 ECU	100	89⅛	90	0	+0⅛	10.80
Barclays Aus. 13½ 91 A$	100	97⅛	98	+0⅛	0	15.07
Bell Canada 10⅞ 04 C$	200	90	90½	-0⅛	-1⅞	12.33

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Britannia B/S. 4⅛ 94	100	†85	85½	0	0	8.58
Citi. Int. W/W 3 93	125	†84	84½	0	+0⅛	8.69
Credit Lyonnais 4⅛ 00	100	†78	78½	-0½	-0⅛	7.95
E.I.B 4⅝ 98	150	†81½	82⅛	0	-0⅛	7.65
Finn. Exp. Cd. 8⅛ 92	75	†96⅛	97	+0⅛	+0⅛	9.67
Fletcher Chall. 4⅞ 98	150	†75	75⅛	-0⅛	0	9.43
I.A.D.B. 6 2004	200	†87	87½	0	-0⅛	7.47
Kobe City 4⅛ 98	150	†82	82½	-0⅛	-0⅛	7.59
Leeds Perm. B/S. 4⅛ 93	200	†86⅛	87	0	-0⅛	9.28
Malaysia 5⅛ 98	100	†84	84½	+0½	+1⅛	7.91
Maxwell Comm. Crp. 5 95	150	†82	84	+0⅛	+0⅞	9.25
Nat. Bk. Hungary 5½ 94	75	†83	84	-0½	-0⅛	10.05
Nationwide Ang. B/S. 4 93	200	†86½	87	-0⅛	+0⅛	8.92
Prov. Newfoundland 5 03	150	†79	80	0	+0⅛	7.43
Thailand 4⅛ 95	200	†85	87	0	0	7.97
World Bank 5 03	150	†80⅛	81	+1	+0⅛	7.32

Average price change... On day 0 on week 0

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
MCA Inc 5½ 02 US	9/87	69.62	89½	90½	-0⅛	24.08
Mitsubishi Bk. 3½ 04US	5/89	3266.	66½	67½	+1⅛	15.89
Next Plc 5⅛ 03 £	11/87	4.3	96⅛	97⅛	+0⅛	364.04
Nishi Nipp.Bk.2⅞ 03 US	4/88	904.	116⅛	117⅛	-4⅛	1.04
Omnicom Inc 6 1/2% 04 US	7/89	28.	102⅛	103⅛	+0⅛	24.23
Omron Tateisi 2⅞ 02 US	4/87	1310.	229⅛	230½	+13⅛	14.18
Ranks Hovis 4⅞ 03 £	1/88	3.5	109⅛	110⅛	-0⅛	0.56
Redland 7⅛ 02 £	11/87	5.4	100½	101½	-0⅛	0.63
Saatchi&Saatchi 6⅛ 03 £	†10/89	4.41	66½	67⅛	-1⅛	129.05
Sumitomo Bank 3⅛ 04 US	2/89	3097.	59⅛	60⅛	+1⅛	23.12
Texas Inst. 2⅞ 02 US	9/87	82.87	75⅛	76⅛	-0⅛	71.99
Utd.N'papers 8 04 £	†10/89	8.77	127½	128½	-1⅛	222.39
W.R. Grace 6⅛ 02 US	9/87	42.12	87⅛	88⅛	-0⅛	26.00

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn = The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv date = First date of conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

State sells final 3.4% stake in HK Telecom

By John Elliott in Hong Kong

THE HONG KONG Government yesterday sold its final 3.4 per cent stake in Hong Kong Telecommunications through a private placement of 377.5m shares organised via the local office of Smith New Court, the London-based stockbroker.

Smith New Court bought the shares from the Government for HK$4.90 each yesterday afternoon. It immediately placed them at HK$5.05, net of transaction costs, with institutional buyers in European centres including London, the US, Hong Kong, and Japan, where a small number was placed. The shares closed yesterday before the deal at HK$5.30.

Earlier this week the Government completed the sale of another 3.4 per cent to a subsidiary of Cable and Wireless of the UK, which now owns 58.6 per cent. In 1988 the Government sold an initial 4 per cent stake in line with its policy of shedding business holdings from its Exchange Fund.

Yesterday's sale also clears the Government of any equity interest before it starts sensitive talks with Hong Kong Telecom about the future of its current monopoly franchise on Hong Kong's domestic voice telecommunications. Senior civil servants would like to terminate the monopoly when it expires in 1995.

The other main shareholder in Hong Kong Telecom is the Peking-backed China International Trust and Investment Corporation Holdings (Hong Kong) which recently bought its 20 per cent holding from Cable and Wireless.

Hong Kong Telecom yesterday announced a corporate restructuring involving three main operating companies, plus a capital expenditure plan of more than HK$3bn (US$384m) for the year, up from HK$2.7bn in 1989-90.

Cable and Wireless (Hong Kong), which handles overseas links, is renamed Hong Kong Telecom International. Hong Kong Telephone, the domestic operator, retains its name. Three companies – CSL, IBS and Cable and Wireless (Systems), which cover retailing, mobile communications, business systems and other services – are being grouped within Hong Kong Telecom CSL.

BBL in plan to form aircraft leasing company

By Tim Dickson in Brussels

BANQUE Bruxelles Lambert (BBL), one of the leading commercial banks in Belgium, and International Aircraft Services (IAS), an independent company based at Shannon, Ireland, announced yesterday that they were setting up a new aircraft leasing company called Airlease Finance.

Full details of the shareholding structure will be disclosed at a press conference in London this month, but the partners said yesterday that "in the near future" the new company would be spending about BFr20bn ($568m) on the purchase of civilian aircraft for commercial use.

Airlease Finance will be based at Shannon, a tax-free zone which is also the home of the highly successful Guinness Peat Aviation (GPA). A statement yesterday said that the new company would develop its leasing activities "in a significant way" to meet the growing demand from aircraft companies. Between now and the end of the century, it added, the market for this form of finance should exceed $100bn.

BBL said yesterday that IAS had been in the aircraft leasing business for a considerable time and that the Belgian bank had first become involved six years ago with the creation of Aviafin, a company set up to finance two Airbus 310 aircraft for Sabena, the Belgian state airline.

Although the two sides signed agreement last week, certain financial details have still to be worked out.

INTERNATIONAL CAPITAL MARKETS

Marriage plan surprises the guests

Deborah Hargreaves on the sudden LTOM/Liffe merger revelation

The announcement of a merger between the London International Financial Futures Exchange (Liffe) and the London Traded Options Market (LTOM) shook brokers on both exchanges' trading floors yesterday.

Brokers were open-mouthed when the news was broken to a meeting of the options steering committee of the Stock Exchange on Tuesday night.

It is the speed of yesterday's move that has shocked market players, as a merger of the two exchanges was first broached three years ago and has been talked about off and on since. But these discussions between the exchanges on a closer relationship and the possibility of finding a joint trading floor had appeared fruitless.

The exchanges are believed to have bowed to pressure from a derivatives users' group that was recently set up by members of both markets, and to a strong push from the Bank of England which is understood to be concerned about the development of derivatives as part of London's role as a financial centre.

Mr Pen Kent, from the Bank of England, will chair the action group that has been set up to plan the merger. The eight-member group which comprises Liffe staff, Stock Exchange council members and LTOM management will report on a joint trading floor by the end of April and on plans for full integration of the two markets by the end of June.

The combination of Liffe and LTOM into a single entity will make that exchange a formidable force in the European derivatives markets. The combined exchange will be the largest derivatives market in Europe with a contract volume of some 34m (on last year's figures) and in a strong position to compete with rivals such as France's Matif and West Germany's Deutsche Terminbörse in the run-up to the arrival of the single European market at the end of 1992.

The Liffe-LTOM link will mark the first time that equity options have traded alongside stock index and other financial futures on a single trading floor. This will reduce costs for traders, since they will be able to trade a full range of products from a single base with only one set of margin money – if cross-margining principles are adopted, as is expected.

Left to right: David Burton of Liffe; Andrew Hugh Smith, ISE; and Geoffrey Chamberlain, LTOM

Some traders are predicting a doubling or even tripling of contract volume for some of the index options and futures traded, because of the synergies that will exist in a merged exchange. Liffe has seen its volume almost double in the first quarter of the year to trade 9.4m contracts.

However, the LTOM has failed to develop at the same pace as some of its European rivals: the market rarely trades above 30,000 contracts a day and it has been criticised for its inability to carve a niche among retail clients, which form the mainstay of the world's largest options markets.

The development of the market is believed to have been stifled by its connection with London's International Stock Exchange (ISE).

When the LTOM was set up in 1978 as an arm of the ISE, it was kept from raising its own funds with an issue of seats on the exchange – the usual method in a nascent market. The LTOM was started with ISE funds, which it began to pay back when it made a profit. However, this gave the exchange little capital of its own to invest in updating technology and market development.

Mr Geoffrey Chamberlain, chairman of the LTOM, had been pushing for the exchange's autonomy from the ISE for the past six months, and a closer relationship with Liffe was part of this initiative, he says. Liffe and the LTOM had also become more closely involved with each other as they presented a joint lobby to the Government for changes in the tax treatment of derivatives.

The LTOM is currently pursuing a wide-reaching review of the way it trades, looking at whether all its options should trade on the floor or on-screen and how its market-maker system should be developed – if at all. This review will continue in parallel with its discussions with Liffe.

Maintaining each equity option on the floor of the LTOM takes around £60,000, if clearing and settlement costs are taken into account – an expensive operation when *some options trade rarely.* When volume dropped off recently there were some loud calls for cost-cutting measures.

It is unclear how Liffe and the LTOM would combine their ways of trading, but many local members of Liffe who trade for their own account say the merger underlines a commitment by the joint exchange to a trading floor. Some of these traders had feared a move towards screen-based trading that would curtail their room for manoeuvre.

Liffe has been operating its automated pit trading system for trading futures contracts when its trading floor is closed, and some of the LTOM and Liffe's less active contracts could be traded full-time on the system. This would leave more room for trading the joint exchange's busiest contracts on a floor.

In a letter to Liffe members, Mr David Burton, Liffe chairman, points out two possibilities for a new trading floor: a move to the floor of the Stock Exchange, or to Cannonbridge, a development over the platforms of Cannon Street station.

The Stock Exchange has made it clear that it wants to retain a link with the combined market, although it has declined to say what form this may take. Mr Andrew Hugh Smith, chairman of the ISE, says it is essential to have some connection between the markets at an operating level, given the relationship between *derivatives and the cash market.*

The abolition of the tax on trading derivatives for unit trusts in this year's Budget, and the moves towards setting up futures funds in the UK, will give London's markets a significant boost.

In fact, if Mr Burton has his way, the partnership of Liffe and the LTOM should pave the way for a combination of the UK's five commodity exchanges in a massive market link that would put London on a competitive footing with Chicago's leading futures markets.

Mexico limits state discount on swaps

By Richard Johns in Mexico City

MEXICO has ruled that bidders for debt-equity swaps must offer the Mexican Government a discount of no more than 35 cents to the dollar. This follows a recent accord between the Mexican Government and its commercial bank creditors under which $3.5bn of nearly $49bn of the nation's public external debt will be made available for swaps into a new US Treasury 30-year zero-coupon bond.

A rate of 65 per cent compares with a secondary market price for Mexican sovereign debt of 40 to 42 cents a dollar. But, following completion of the debt deal, a significant appreciation is expected in the US Treasury bond.

Bidders offering the smallest discounts will be favoured, though they must meet other criteria before approval. Specifically, it has already been laid down that swaps should be limited to privatisations and infrastructure.

A secondary market price of 53 cents for each dollar of Mexican sovereign debt at the end of 1990 is forecast by the latest edition of the magazine Latin Finance, which specialises in this area.

Mexican government policy is that the $3.5bn will divided equally between privatisations and infrastructure deals. There are indications that the ailing agricultural sector will be a priority.

After tough negotiations with commercial bank creditors, Mexico imposed a $3.5bn limit on swaps because of concern about the inflationary *effect* and *President* Carlos Salinas de Gortari's reluctance to "give away" money.

The 35 per cent floor has been set largely because it was the reduction agreed for creditor banks choosing to cut the outstanding principal, rather than lowering interest rates or providing fresh credit, up to 25 per cent of their current exposure.

Mexico is to use the auction method adopted by Chile.

Under the new regulations the utilisation of debt swaps will be open to national as well as foreign bidders.

US Treasuries edge up as leading indicators cheer

By Janet Bush in New York and Norma Cohen in London

US TREASURY bonds moved modestly higher yesterday morning *in a mildly positive* reaction to a slightly larger than expected fall in US leading indicators in February.

At midsession, the Treasury's benchmark long bond

GOVERNMENT BONDS

was quoted ⅛ point higher to yield 8.61 per cent.

Leading indicators fell 1 per cent in February, a little more than the consensus estimate of a 0.7 per cent decline. The impact was limited because the fall was exaggerated by a larger drop in building permits. Without these, the indicators would have fallen by only 0.1 per cent. And January's leading indicators were revised *to a gain of 0.2 per cent from* unchanged.

The dollar provided little fresh impetus yesterday, trading in around the middle of this week's range so far. At the New York midsession, it was quoted at Y159.00 compared with an earlier low of Y158.20 and a high of just above Y160.00 on Monday.

■ UK GOVERNMENT bond *prices closed slightly* firmer in dull trading, aided by a modest pick-up in sterling against the dollar and D-Mark. Dealers attributed the price improvement to shortcovering after yesterday's early sell-off. In early morning, the currency and gilts prices dipped on market speculation that last week's gold-for-sterling deal, which sent gold prices tumbling, was being unwound. However, the rumour was quickly scotched and bond *prices responded.*

■ JAPANESE government bond prices, after firming during the Tokyo trading day, weakened in line with the yen in late London trading. The benchmark JGB No.119 closed at 7.25 per cent in Tokyo, with yields rising to 7.28 per cent in London as the yen fell.

Dealers are waiting for tomorrow's auction of new 10-year government bonds, expected to become the next benchmark, thus replacing the No.119 bonds which carry a coupon of 4.8 per cent. Dealers expect the yield on the new bonds to be about 6.7 per cent.

■ WEST GERMAN government bond prices closed narrowly mixed in dull trading, with fluctuations viewed as a technical reaction to recent gains. After opening slightly firmer from Monday's fixing, bond prices slipped to trade 10 to 20 pfennigs lower by yesterday's fixing.

West German current account data for February, showing a 8.3 per cent increase in the surplus, was as anticipated and did not affect prices.

Futures prices traded in a narrow range, with the nearby June contract fluctuating between 84.7 and 84.1 during the day. The contract closed near the day's low at 84.2. Turnover, at 41,126 contracts, was deemed average.

■ FRENCH government bond prices closed slightly lower, with selling prompted by technical factors on the Matif and book-clearing ahead of the April tap stock auction on Thursday. The Treasury announced it would sell between FFr8bn to FFr10bn in stock at the auction. The benchmark 8½ per cent bond due 1999 dropped 28 centimes to close at 91.24, a yield of 9.6 per cent, up 50 basis points from the previous close.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		10.000	4/93	92-00	+07/32	13.30	13.44	12.99
		10.500	5/99	89-29	+10/32	12.38	12.55	11.99
		9.000	10/08	81-28	+08/32	11.36	11.48	10.98
US TREASURY *		8.500	02/00	99-06	+05/32	8.62	8.51	8.53
		8.500	02/20	98-24	+08/32	8.62	8.45	8.54
JAPAN	No 119	4.800	6/99	86.3187	+0.146	7.28	7.34	7.15
	No 2	5.700	3/07	97.8722	+0.001	7.30	7.21	6.79
GERMANY		7.125	12/99	91.5500	-0.520	8.42	8.57	8.68
FRANCE	BTAN	9.000	02/95	95.9279	-0.107	10.08	10.40	10.71
	OAT	8.500	03/00	93.3000	-0.380	9.57	9.79	10.25
CANADA *		9.250	12/99	88.5000	-	11.23	10.85	10.65
NETHERLANDS		7.750	01/00	94.0200	-0.310	8.67	8.78	9.16
AUSTRALIA		12.000	7/99	91.8200	+0.001	13.56	13.40	13.56

London closing, *denotes New York morning session
Yields: Local market standard Prices: US, UK in 32nds., others in decimal
Technical Data/ATLAS Price Sources

Canadian securities firms to link

By Bernard Simon in Toronto

CANADA'S largest mutual funds distributor, Mackenzie Financial, will be the biggest single shareholder in a securities dealer to be formed by the merger of two medium-sized firms.

The two securities firms, Walwyn and Midland Doherty Financial, which between them have the largest retail sales force in the country, said yesterday that they would merge to create a dealer with capital of more than C$100m (US$85m).

The merger will be by a share swap of one Walwyn share and 1.75 Midland share for one in the new company.

Mackenzie will have a 21.7 per cent interest in the merged firm. It said the purchase is "for investment purposes" and that its mutual funds would continue to be distributed through its existing network of about 1,500 independent dealers as well as stockbrokers.

Using the securities firm's sales force would give it a powerful new outlet for its mutual funds, but might strain relations with existing dealers.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS & SUB-SECTIONS

Figures in parentheses show number of stocks per section

	Tuesday April 3 1990 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at 25%)	Est. P/E Ratio (Net)	xd adj. 1990 to date	Mon Apr 2 Index No.	Fri Mar 30 Index No.	Thu Mar 29 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (201)	848.93	+0.6	13.72	5.29	8.88	9.07	842.17	849.94	854.28	949.95
2 Building Materials (27)	1031.60	+0.9	15.38	5.61	8.09	3.29	1022.07	1034.36	1042.31	1223.02
3 Contracting, Construction (37)	1393.29	+0.7	17.61	5.78	7.42	13.63	1381.12	1393.88	1401.61	1739.30
4 Electricals (10)	2446.32	+0.4	11.94	5.47	10.34	1.41	2437.15	2456.11	2468.68	2751.57
5 Electronics (29)	1793.11	+1.5	10.10	4.12	12.84	16.80	1767.31	1783.12	1800.24	2116.52
6 Engineering-Aerospace (8)	429.16	+0.6	11.59	5.38	7.99	7.69	427.58	434.23	438.80	[illegible]
7 Engineering-General (43)	466.11	+0.5	12.16	5.33	9.91	5.16	463.84	466.35	465.45	[illegible]
8 Metals and Metal Forming (6)	477.42	-0.2	24.65	6.53	4.57	8.53	478.55	488.26	479.55	535.56
9 Motors (16)	[illegible]	[illegible]	14.98	5.49	7.88	5.74	[illegible]	[illegible]	[illegible]	[illegible]
10 Other Industrial Materials (25)	1543.11	+0.9	11.47	5.08	10.16	27.90	1549.13	1558.93	1570.53	1584.54
21 CONSUMER GROUP (176)	1218.86	+0.8	9.76	4.03	12.79	6.08	1208.63	1219.23	1222.48	1177.65
22 Brewers and Distillers (21)	1425.47	+0.6	10.18	3.87	12.12	6.57	1414.53	1430.10	1439.87	1274.95
25 Food Manufacturing (20)	1058.57	+0.4	10.51	4.44	11.81	8.09	1048.09	1054.50	1059.43	1091.25
26 Food Retailing (16)	2220.99	+0.3	9.34	3.45	13.87	7.38	2214.61	2251.86	2243.90	2026.78
27 Health and Household (13)	2542.92	+2.3	7.11	2.73	16.80	14.72	2484.79	2486.33	2514.93	2237.57
29 Leisure (31)	1391.71	+0.6	10.29	4.42	12.11	4.96	1400.07	1423.13	1420.27	1614.96
31 Packaging & Paper (13)	573.86	+0.8	12.62	5.61	9.84	2.66	569.32	572.56	566.28	585.49
32 Publishing & Printing (16)	3258.46	-	10.48	5.49	12.08	23.01	3260.40	3303.75	3261.41	3675.47
34 Stores (34)	745.80	+0.4	11.79	5.03	11.00	1.82	742.99	748.96	747.57	764.21
35 Textiles (12)	495.80	+0.7	13.55	7.16	9.29	0.59	491.94	496.37	494.26	518.52
40 OTHER GROUPS (105)	1137.03	+0.7	10.98	5.00	10.89	7.00	1129.04	1144.88	1154.54	1077.69
41 Agencies (17)	1611.33	+2.3	5.59	2.38	22.04	12.19	1575.76	1580.93	1589.25	1268.00
42 Chemicals (23)	1207.98	+1.3	12.15	5.85	9.60	22.72	1192.86	1200.33	1211.63	1224.32
43 Conglomerates (14)	1595.43	+1.2	10.15	6.12	11.59	5.78	1576.54	1592.96	1608.39	1521.80
44 Transport (13)	2221.87	+1.2	10.99	4.46	11.58	6.69	2195.99	2221.60	2232.47	2380.01
46 Telephone Networks (2)	1134.85	-0.3	9.46	4.50	13.30	0.00	1130.73	1161.47	1177.29	1129.72
47 Water (10)	1932.64	-0.3	18.03	7.01	6.14	0.00	1938.09	1984.19	1936.57	[illegible]
48 Miscellaneous (26)	1800.00	+0.8	10.20	4.61	11.06	18.00	1786.22	1817.85	1832.19	1501.78
49 INDUSTRIAL GROUP (482)	1114.17	+0.8	11.12	4.65	10.99	7.53	1105.43	1117.18	1122.82	1112.54
51 Oil & Gas (18)	2278.35	+0.5	10.95	5.29	12.05	35.47	2267.50	2299.45	2321.50	1976.51
59 500 SHARE INDEX (500)	1211.19	+0.7	11.09	4.74	11.13	9.71	1202.22	1215.52	1222.52	1186.06
61 FINANCIAL GROUP (111)	804.62	+0.9	-	5.60	-	12.54	797.33	803.36	802.29	744.00
62 Banks (9)	879.99	+0.4	19.07	6.07	6.85	24.14	876.23	888.06	889.93	729.21
65 Insurance (Life) (7)	1298.81	+1.5	-	5.61	-	11.81	1279.91	1280.51	1278.21	1084.64
66 Insurance (Composite) (7)	648.65	+0.8	-	6.23	-	7.72	644.36	654.55	657.32	597.65
67 Insurance (Brokers) (7)	1034.80	+0.7	7.93	6.29	16.76	16.73	1027.16	1025.31	1022.13	959.12
68 Merchant Banks (7)	455.32	+0.6	-	4.19	-	4.27	452.38	457.95	460.51	331.45
69 Property (49)	1139.43	+0.4	8.01	3.88	15.84	1.88	1134.94	1105.86	1109.53	1324.68
70 Other Financial (25)	318.59	+0.4	14.28	6.99	9.13	2.89	317.24	318.86	318.99	368.73
71 Investment Trusts (67)	1138.74	+0.7	-	3.52	-	8.65	1130.56	1146.31	1158.40	1097.13
81 Overseas Traders (8)	1366.65	+0.2	9.67	6.68	12.48	31.27	1363.24	1402.83	1411.98	1387.49
99 ALL-SHARE INDEX (683)	1111.57	+0.8	-	4.84	-	10.30	1103.10	1114.94	1120.33	1078.07

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Apr 2	Mar 30	Mar 29	Mar 28	Mar 27	Year ago
FT-SE 100 SHARE INDEX	2240.7	+19.1	2241.7	2218.0	2221.6	2247.9	2263.0	2275.0	2266.2	2082.8

FIXED INTEREST

PRICE INDICES	Tue Apr 3	Day's change %	Mon Apr 2	xd adj. today	xd adj. 1990 to date
British Government					
1 Up to 5 years	112.85	+0.10	112.73	-	3.67
2 5-15 years	118.42	+0.35	118.01	-	2.30
3 Over 15 years	120.63	+0.44	120.11	-	4.16
4 Irredeemables	139.34	+0.03	139.30	-	1.51
5 All stocks	118.40	+0.27	118.08	-	3.43
Index-Linked					
6 Up to 5 years	141.13	+0.06	141.05	-	0.94
7 Over 5 years	132.82	+0.12	132.66	-	1.05
8 All stocks	133.34	+0.11	133.18	-	1.04
9 Debentures & Loans	94.94	-1.02	95.92	-	3.02
10 Preference	74.94	-0.13	75.04	-	1.92

AVERAGE GROSS REDEMPTION YIELDS		Tue Apr 3	Mon Apr 2	Year ago (approx.)
British Government				
1 Low Coupons	5 years	11.71	11.73	9.61
2	15 years	11.33	11.33	9.17
3	25 years	11.17	11.20	9.02
4 Medium Coupons	5 years	12.84	12.90	10.58
5	15 years	11.74	11.77	9.61
6	25 years	11.39	11.41	9.23
7 High Coupons	5 years	12.95	13.00	10.71
8	15 years	12.01	12.06	9.83
9	25 years	11.55	11.59	9.37
10 Irredeemables		11.21	11.21	9.03
Index-Linked				
11 Inflation rate 5%	Up to 5yrs.	4.59	4.60	3.62
12 Inflation rate 5%	Over 5 yrs.	4.13	4.13	3.54
13 Inflation rate 10%	Up to 5yrs.	3.62	3.63	2.72
14 Inflation rate 10%	Over 5 yrs.	3.95	3.96	3.38
15 Debs & Loans	5 years	15.70	15.68	12.09
16	15 years	14.37	14.25	11.52
17	25 years	13.67	13.50	10.96
18 Preference		12.30	12.28	10.10

Opening index 2232.4; 9 am 2228.4; 10 am 2225.7; 11 am 2218.2; Noon 2221.2; 1 pm 2228.1; 2 pm 2228.9; 3 pm 2239.3; 4 pm 2238.5; 4.10 pm 2239.4; (a) 3.25pm (b) 11.02am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 35p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	76	0	21
Corporations, Dominion and Foreign Bonds	9	0	17
Industrials	409	289	895
Financial and Properties	238	100	376
Oils	23	27	42
Plantations	0	4	6
Mines	50	29	78
Others	48	103	100
Totals	853	552	1,535

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price p	+or-	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price £	+or-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price p	+or-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

TRADITIONAL OPTIONS

- First Dealings April 2
- Last Dealings April 12
- Last Declarations July 5
- For settlement July 16

For rate indications see end of London Share Service

Calls in Amstrad, Amersham Intl., Aviva Pet., Blacks Leis., Priest (B), Coloroll, Ferranti, Ipeco, Next, Sheraton, Sunleigh and Tusker Res. Put in Rush & Tompkins.

LONDON TRADED OPTIONS

THERE WAS a return to more normal trading levels in the FT-SE 100 index futures and options markets yesterday as the excitements of the previous session died away. The June contract on the FT-SE futures attracted some attention, moving from a 30 to a 34 point premium at best as County NatWest and other leading players in the London market responded quickly to the opportunity to buy it at a discount to fair value. However, futures and options generally had "a very unspectacular day," according to Mr Tony Norman at BZW.

The FT-SE June contract closed at 2,273, a premium of 34 and a gain of 30 points on the day. Traders commented that the discount to fair value implied a natural buying signal for the index-linked and similar performance funds and "there was good professional and marketmaker buying of the contract." Turnover in the June contract was finally unimpressive at 3,912 lots, compared with the 8,028 lots of the previous very active session.

In options, investment interest was very narrow, with the feature being the weight of premium selling in index calls, which suggested a bearish stance by some investors. Total option contracts were 31,616, incorporating 18,876 calls and 12,740 puts. The FT-SE option index was the most active with 9,293 lots compared with 14,795 on Monday, and made up of 5,820 calls and 3,673 puts.

Most active stock option was British Gas (3,162 lots) where BZW, the London investment bank, sold for clients 2,000 September 220 calls at 8p. Also active were STC (1,710 lots), with the April 390 puts traded at 325, British Airways (1,454 lots), with the April 200 busy, and Sears (1,259 lots), featured by the September 100 calls.

Option		Calls			Puts		
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

April 3 Total Contracts 31,616 Calls 18,876 Puts 12,740
FT-SE Index Calls 5,620 Puts 3,673
Euro FT-SE Calls 2 Puts 277
*Underlying security price. † Long dated expiry months.

BA chief confident of take-off for new airline

By Paul Abrahams

SIR COLIN Marshall, chief executive of British Airways, returned yesterday from a board meeting in Brussels of Sabena World Airlines, the airline set up by BA, KLM Royal Dutch Airlines and Sabena, confident that the deal to set up SWA would go ahead.

BA said the two continental airlines had affirmed their determination to continue with the venture after they had been briefed about the implications of the British Government's decision to refer the deal to the Monopolies and Mergers Commission.

KLM said last night that SWA had already been created by the three companies and there was no question of introducing any new partners.

Earlier this week, Lord King, BA's chairman, had expressed concern that if its participation in the deal was jeopardised by regulatory investigations, its partners might approach a third party, such as American Airlines which has been showing interest in the European market.

A spokesman for KLM said the British Government's decision had not affected the company's plans. He believed, with all respect, that the deal was beyond the competence of the MMC and that its jurisdiction ended at the North Sea. Under the deal, BA and KLM have acquired 20 per cent of SWA. The remaining 60 per cent is owned by Sabena.

He added that the Dutch airline was also confident about the European Commission's investigation into the deal.

The object of the venture, which is to create a hub and spoke operation based on Zaventem airport, would increase competition in the region and would be in the interests of the European consumer. The development of the airport would provide capacity at a time when airline growth is being threatened by overcrowding at European airports, he said.

KLM stressed that outside the context of SWA, the three airlines would continue to compete normally.

Chloride warning as charges bite

By Nikki Tait

THE TALE of woe at Chloride continued to unfold yesterday as the UK battery group warned that higher-than-expected interest costs had hit the 1989-90 results, and the group would face a significant extraordinary charge as it unwound an investment in US-based Altus Corporation.

The company also hinted that its final dividend might be in danger. The board had previously said that it expected to maintain full year dividends at the same level as in 1988-89. Now, Chloride says it will "reconsider the matter" in the light of the profit warning and extraordinary charge. It refused to elaborate on this statement.

Chloride stressed that trading results had been "broadly in line with plan". However, it conceded that gearing – near 100 per cent at the 1989 March year-end – had come down less than it had hoped. Interest rates had also been high, with the result that "the likely level of 1989-90 pre-tax profit . . . will result in earnings per share being significantly lower than expected." Analysts had been hoping for about 2p, compared with 0.9p in the previous year.

Chloride had already told shareholders that various options were being considered over its 51 per cent interest in Altus. Now it says that, with the agreement of the other shareholders in the US company, the plan is to break-up Altus and the parts should be sold off or, if necessary, discontinued.

One business, Elpower, has already been sold and discussions over another, Pilot Batteries, are underway. Lithium battery operations in San Jose will cease in August 1990.

This, however, could give rise to an extraordinary change of up to £6m – although there will be some offsetting factors at the net group level. The £6m assumes that no money comes in for the disposal of lithium operations.

Chloride also revealed:

● that it had formed a joint venture with RWE of West Germany. That venture would make and market sodium-sulphur batteries under licence from Chloride Silent Power, a separate joint venture between Chloride and the Electricity Council. Chloride would have a 55 per cent interest and RWE 45 per cent.

● that it had increased its holding in Clean Line, in Australia, from 49 per cent to 100 per cent at a cost of £300,000, payable during 1990-91 on a deferred basis.

● that it had sold its UK-based plastic mouldings business, Chloride Lorival, to Melton Medes. MM would assume £4m of debt. It would also make an unspecified payment to Chloride – likely to be in the six-figure range – based on Lorival's operating profits in 1990-91. In 1988-89, Lorival had a pre-tax loss of £300,000.

Shares in Chloride, where the Swedish Mercurius group has a 9.54 per cent stake, eased 1½p to 38p.

Shandwick advances by 30%

By Alice Rawsthorn

SHANDWICK, a leading public relations group, lightened the gloom in the marketing service sector yesterday by announcing a 30 per cent increase to £7.27m in pre-tax profits for the six months to January 31.

The group has expanded rapidly through a series of acquisitions in recent years. A number of businesses were purchased in the US, where it now makes half its revenue.

Recently it has also been expanding in the UK. Six weeks ago a £9.3m agreed bid was announced for Paragon Communications, a corporate and consumer PR consultancy.

The marketing services sector has been clouded by gloom in recent months reflecting the downturn in the advertising industry and Saatchi & Saatchi's troubles.

Shandwick was unaffected by the sector's problems in the first half and Mr Anthony Stoddard, group managing director, said the prospects for new business had "never been better".

The only part of the group to suffer in the first half, he said, was financial PR relating to mergers and acquisitions. This business was "substantially lower" than last year, said Mr Stoddard, but only represented 3 per cent of revenue. Moreover, the growth of other sectors, like consumer and environmental public relations, had compensated.

Turnover rose to £72.9m (£52.57m) and operating income to £44.7m (£30.92m). Mr Stoddard said the group achieved organic growth of about 20 per cent from its established interests. Earnings per share rose to 6.4p (5.5p) and the interim dividend is raised to 0.89p (0.67p).

The acquisition spree has left Shandwick with significant deferred payments, or earn-outs, to pay each year. It will pay up to £55m in earn-outs over the next five years. The level of payments is expected to peak this year and net debt should also peak at £34m.

Analysts anticipate an increase in pre-tax profits to about £21m for the full year putting the shares – up 3p to 124p yesterday – on a prospective p/e of 7.

Henry Barrett doubles to £6.5m

By Andrew Bolger

HENRY BARRETT Group, the acquisitive Bradford-based steel and industrial products company, yesterday reported a 96 per cent increase to £6.46m in pre-tax profits for the six months to February 28.

Since September 1 1986, the company has acquired 14 separate businesses, three of which now form the materials handling division.

Five acquisitions and one greenfield development have been added to existing operations to make the steel services division the fourth largest distributor of general products in the UK.

The acquisitions have been added to the steel buildings division and three acquisitions, together with Lindapter International, now form the special products division.

Directors said output and efficiency in the steel buildings division had increased considerably, enabling it to perform well in difficult market conditions.

Edge-of-town, non-food retail sites now accounted for less than half of the design and build activity and less than a quarter of the division's total, the strongest market currently being that for distribution warehouses.

The downturn in demand for general steels appeared to have levelled off at historically high levels, with the steel services division generating a positive cash flow and expected to make an improved contribution to the group's results for the year.

Group turnover rose 75 per cent to £68m and earnings per share were up 29 per cent at 10.55p. An interim dividend of 2p is declared, an increase of 21 per cent.

Delaney to expand furniture operation

By Andrew Hill

DELANEY GROUP is planning to expand its furniture retail operations in a radical attempt to fight the downturn in the high street, although the move may drive the group into the red for the first half of this year.

The shopfitting, furniture and building products group yesterday announced that pretax profits in 1989 had slumped from £1.86m to £286,000.

But Mr Nathu Ram Puri, chairman, said that instead of opening seven new bedroom furniture shops this year, Delaney would have opened 10 new outlets by the first week of July.

"It's going to hurt us in the first six months – costing something like £300,000 – but we will win it back in the second six months of the year," said Mr Puri, whose private holding company Melton Medes owns 29.8 per cent of Delaney.

Mr Puri unexpectedly returned to the group as chairman in October having been ousted earlier in the year.

He said strong order-books and demand at the 26 existing furniture showrooms had indicated there was room for further expansion.

Delaney's turnover slipped from £26.1m to £24.8m, and earnings were just 0.9p (8.1p). However, the final dividend is 0.2p, making 1.5p (3.9p).

Federated Housing asks for suspension with shares at 5p

By Andrew Taylor, Construction Correspondent

FEDERATED Housing, a housebuilder operating mainly in north Kent and outer London, yesterday asked for its shares to be suspended amid stock market fears about the company's financial position.

The group later said it was in discussion with its principal bankers and financial advisers concerning alternative strategies including a restructuring of its capital base.

It warned it had made a substantial loss last year and had made exceptional write-downs of its land bank reflecting the difficult trading conditions in housebuilding.

In 1988 the group made pretax profits of £6.1m on sales of £34.38m.

The company asked for its listing to be suspended after the shares fell yesterday to 5p from Monday night's close of 25p. Last Thursday the shares were trading at 41p.

The suspension follows the collapse in February of Declan Kelly, one of the country's largest privately-owned residential developers.

Several commercial developers and contractors have called in receivers in recent weeks as the impact of high interest rates on sales and balance sheets has spread to other areas of construction.

JM Jones, one of the country's largest privately-owned construction and property development companies operating mainly in the Thames Valley called in a receiver at the beginning of February.

Last month Brims, a privately-owned contractor in north-east England went into receivership. The company blamed cash flow problems brought on by high interest rates and slow payment on some contracts.

Kentish Property last summer became the first publicly-quoted residential developer to fail as sales of flats dried up in London's Docklands.

Federated in January issued its first warning that profits were likely to have fallen last year. At the beginning of this year its shares were trading at 100p.

Last September, Federated announced that pre-tax profits for the first six months of 1989 had slumped from £2.82m to £1.21m. Earnings per share over the same period fell from 18.1p to 6.4p.

The rise in interest rates has hit housebuilders particularly hard although problems affect many areas of construction.

They mostly affect small-to-medium sized companies which rely on a small geographic base or a small number of developments and which have borrowed heavily.

A report by Barclays Bank economics department published last week in Building Magazine said the rate of growth of bad debts and business failures had tripled in the industry between the third and fourth quarters of last year.

It warned bad debts in the construction industry could rise by as much 15 per cent this year following a 14 per increase last year.

Johnston Group slips to £7.3m

By David Owen

JOHNSTON GROUP, the specialist civil and mechanical engineer, yesterday unveiled a 9 per cent decline in annual profits due mainly to stock obsolescence costs at its municipal equipment-making subsidiary.

Pre-tax profits for 1989 totalled £7.32m, against £8.07m in 1988. Turnover advanced to £107.1m, compared with £99m.

The costs were taken as a £613,000 exceptional charge. The company said that management reorganisation was in hand in a bid to improve performance.

The Redhill-based group was also hit by civil engineering losses stemming principally from difficulties on UK tunnelling contracts. The company said that "substantial claims" in respect of these contracts are being processed. A reorganisation of civil engineering activities was also under way.

In contrast, quarrying, pipe manufacturing and road maintenance activities each yielded excellent results. Property development produced a much lower contribution but improved profits were anticipated from the business in 1990.

A final dividend of 9p is recommended, making a total of 13p (11.5p). Earnings per share dipped to 40.33p (48.03p).

The shares climbed 10p from their low for the year to 298p.

Olives to sell loss-making paper mill for £2.5m

By Maggie Urry

OLIVES HOLDINGS, the paper and property group, yesterday reported a drop in profits for its 1989 financial year and the proposed sale of its paper mill to a management buy-in team for £2.5m.

The news came after the stock market closed. The shares had earlier ended the day at 162p up 2p.

Pre-tax profits were £1.5m, down from £2m, after an exceptional debit covering redundancy costs of £621,000 (£410,000.). Sales fell to £13.3m (£17.7m) and earnings per share were 12.98p (17.21p).

Mr Michael Kent, chairman, said that property activities made an operating profit of £3.1m. However, the paper mill lost £1.1m (£636,000) because of reorganisation ,lower sales and production.

A proposed final dividend of 6p gives a total of 9p (7.5p in a single payment) – a rise of 20 per cent.

The mill, which this year celebrates its 150th year of operation in Bury, Lancashire, is being sold to Continental Paper, a new company in which Olives Holdings will have a 40 per cent stake. The rest will be held by Continental Paper's management and by funds advised by Granville, the investment management and corporate finance group.

The new mill management, led by Mr Chris Matthews as chief executive, plans to build the Olives Green recycled paper brand and to expand into Europe.

Olives Holdings will keep 54 acres of land adjacent to the mill for development and will lease a further 12¼ acres which the mill uses to Continental Paper on a 25 year lease.

Laing Props again hits out at predator

By Nikki Tait

With the bid battle over Laing Properties now in its final fortnight, the defending group yesterday hit out again at its predator, Pall Mall Properties.

It claimed that the two companies which are using Pall Mall as their joint vehicle, Chelsfield and Peninsular & Oriental Steam Navigation, "are experts in property – they have identified Laing Properties as a company from which they can . . . make a huge gain."

Mr Brian Chilver, Laing's chairman, was also quick to point to the 7.5 per cent discount to net asset value (including developments in progress) at which SPP of Sweden is bidding for LET, another British property company. Laing claims that the Pall Mall offer represents a 20 per cent discount to up-to-date net asset value – "a jolly sight larger," he notes.

Fair shares for all in the carve-up

Michael Skapinker examines the break-up of the Plessey Group

THE CHARITABLE view of the way that Britain's General Electric and Siemens of West Germany have divided up Plessey is that the two electronics giants gradually realised that a series of joint ventures would be difficult to manage.

The less generous view is that the two companies never intended to do anything with Plessey except carve it up.

When GEC and Siemens launched their bid for Plessey in November 1988, they outlined large areas in which the three companies would co-operate. These were whittled down to meet UK competition requirements, but the British and German companies still envisaged joint ownership of a large number of Plessey activities, ranging from telecommunications to aerospace to semiconductors.

Lord Weinstock, GEC's managing director, and Mr Karlheinz Kaske, chief executive of Siemens, said that joint ventures and alliances of this sort would be essential in a post-1992 Europe.

Yesterday's announcement of the final division of the Plessey spoils reveals that the only significant area of shared ownership will be GPT, the telecommunications company. GEC will retain a 60 per cent holding, with Siemens holding the remaining 40 per cent. Plessey Aerospace, which was to have been jointly held, will now be wholly-owned by GEC. Siemens decided that an electronics group of its size could not afford to get involved in areas in which it did not have a powerful presence.

The decision to allow GEC to take over all of Plessey's semiconductor activities is less easily explained. Siemens – along with Philips of the Netherlands and SGS-Thomson, the Italian-French group – is in the front rank of European semiconductor companies. GEC's semiconductor activities are small.

Siemens felt, however, that it could not accept the stipulations imposed on Plessey's semiconductor business by the UK Ministry of Defence. Not only did the MoD insist that Plessey's semiconductor activities should not pass into German ownership; it also objected to Siemens exercising management control over the business.

GEC says it will hold on to Plessey's semiconductor operations and develop them.

Whatever the reasons for Siemens' decision not to take a stake in Plessey Semiconductors, it does appear that the German company found the idea of co-operating with GEC more difficult than it thought. Plans to manage the Plessey businesses were only drawn up only after the two companies had examined in detail the businesses they had acquired. As they discovered the reality of their purchase so their plans evolved.

Siemens managers have begun to come around to the view that joint ventures are now an inescapable aspect of modern international business.

The company has a joint venture with Bosch in the white goods sector. It also has an electronic components joint venture with Matsushita of Japan. Nevertheless, there is believed to be some resistance in Siemens to the formation of joint ventures.

GPT remains the only major joint venture between the British and German groups, but, even here, some in GEC concede that Siemens might eventually be allowed to take over the UK company's stake.

This is unlikely to happen in the immediate future, however. Siemens welcomes GEC's continued involvement because of the latter's understanding of the market in the UK, a country in which the German group has only a fraction of its total 1989 turnover of DM 61bn.

The test of GEC's commitment to the telecommunications business will come in the next few years, when it will be asked to make the huge investment required to develop a new generation of public switching equipment.

It was precisely because the investment required is so large that GEC said it wanted another partner for its telecommunications business. Some believe, however, that when it is faced with the need to pump large amounts of cash into GPT, GEC will welcome an offer by Siemens to purchase its stake.

Whatever, the long-term outcome, both Siemens and GEC have reason to be pleased with their Plessey shares. Although, most of the Plessey businesses have gone to GEC, the relative size of GPT means that Siemens will end up acquiring slightly more of Plessey than Siemens will.

Siemens has achieved two of its major objectives. One was to increase its presence in the UK market, which it has achieved with its stake in GPT. The other was to add to its defence electronics business.

Lord Weinstock's GEC has got Plessey Semiconductors, a business which it did not necessarily want. But, more important, it has furthered its ambition to become one of the handful of European defence companies which will survive in an era likely to be marked by continued cutbacks in military spending.

This strategy has two legs. One is increasing dominance of the British market. The Plessey purchase is expected to add £700m to GEC's turnover.

The second leg of GEC's strategy is joint ventures with other European companies, such as its participation in GEC Alsthom, the new Franco-British heavy engineering group. GEC has come out of the Plessey purchase with one major joint venture with Siemens.

It seems, however, that on this occasion, Lord Weinstock has focused more carefully on the first leg of his strategy than on the second.

THE PLESSEY CARVE-UP

COMPANIES TO BE WHOLLY-OWNED BY GEC

In the UK:
Plessey Aerospace* Plessey Avionics Plessey Crypto Plessey Materials* Plessey Naval Systems Plessey Semiconductors* Plessey Research Caswell*

In the US:
Plessey Aero Precision Corp* Plessey Dynamics Corp* Plessey Electronic Systems Corp (including ES Marine Systems)* Sippican Inc Plessey Materials Inc*

COMPANIES TO BE WHOLLY-OWNED BY SIEMENS

Siemens Plessey Radar Siemens Plessey Defence Systems Siemens Plessey Controls

COMPANIES TO BE JOINTLY-OWNED

GPT, formerly jointly-owned by GEC and Plessey, is owned as to 60 per cent by GEC and 40 per cent by Siemens

OWNERSHIP TO BE DECIDED

Plessey Australia Plessey South Africa, Zimbabwe and Malawi Leigh Instruments of Canada*§ Plessey Research Roke Manor Plessey's share in Plessey Telenet

TO BE SOLD

Birkby Plastics Hoskyns Group Plessey Spa of Italy

**Were to have been partially or jointly-owned by Siemens*
§Was to have been wholly-owned by GEC

Meggitt up 24% and set to move away from defence

By Andrew Bolger

MEGGITT, the specialist engineering group which in November pulled out of taking over United Scientific Holdings, yesterday reported a 24 per cent increase, to £26.07m, in pre-tax profits for 1989.

The group did not proceed with its £104m takeover of the defence equipment maker, in spite of having acceptances for 83 per cent of the equity, citing the unexpectedly high losses revealed by USH.

Meggitt made extraordinary provision in its results for £700,000 of advisers' costs and a writedown of £1.2m on the value of its share stake in USH, which is now below the 3 per cent held at the time of the bid.

Mr Ken Coates, managing director, said: "1989 saw a change in the trading pattern from previous years. In the first six months growth was considerable, whereas in the second half the momentum slowed somewhat. This was noticeable in the UK for the products of the controls and electronics division."

Turnover grew by 29 per cent to £251.72m and earnings per share rose by some 6 per cent to 11p.

A recommended final dividend of 2.2p brings the total to 3.3p (2.75p), a rise of 20 per cent.

Mr Coates said that after acquisitions in West Germany, the Netherlands, France, Spain, and the US, 45 per cent of the company's turnover would be outside the UK in the current year.

Meggitt said that, having already predicted a decline in US defence expenditure, it had taken steps to re-orientate the business away from defence.

This process, which included grouping operations into larger more viable units, would continue.

● COMMENT

Given the time and energy which Meggitt expended on pursuing USH, its claim to credit for having moved away from the defence sector will bring a wry smile to the face of many investors. However, there is no doubt that Meggitt is lucky that the Berlin Wall came down before it had acquired the troubled defence contractor, even if its share price has not yet recovered to pre-bid levels. These figures were in line with expectations, with an improvement in the energy division offsetting a slowdown in aerospace. The shares closed at 79p, down 2p; forecast earning of £28m and earnings of 11.7p put them on a prospective multiple of 6.8. That seems cheap, even allowing for Mr Coates's caution about the lack of growth momentum in the second half of 1989. Analysts and others who had their fingers burned over the USH bid clearly have put Meggitt in the doghouse. The disapproval seems overdone, given the group's previous track record and the fact that Meggitt will be most unlikely to make any more forays into the defence sector for the foreseeable future.

TIP Europe up 47% but shares fall on warning

By Andrew Hill

TIP EUROPE yesterday warned of weakness in the UK trailer rental market because of the squeeze on the retail sector.

Shares in TIP, one of the two largest trailer rental companies in Europe, yesterday slipped 16p to 175p, in spite of its announcement of a 47 per cent increase in interim profits.

The group made £7.56m before tax in the six months to January 31, compared with £5.14m.

Mr Tony Rieger, chief executive, said utilisation of the UK trailer fleet had slipped 10 percentage points to about 75 per cent of capacity in the first half, because of higher interest rates. The increase in borrowing charges particularly affected the stores sector, which accounts for 25 or 30 per cent of TIP's UK trailer rental business.

Interest charges rose from £1.6m to £5.77m in the first half.

However, Mr Rieger said he believed the economic climate would eventually benefit trailer rental groups.

The slackness in the UK market held back TIP's operating margins in the first half. Turnover more than doubled to £42.4m (£20.3m), but earnings per share were up only 6 per cent to 7p (6.6p). The group declared an interim dividend of 1.7p (1.6p).

Organic growth in the underdeveloped European rental market – including eastern Europe – was likely to push earnings from outside the UK beyond the domestic figure in future, Mr Rieger added.

● COMMENT

The market was perhaps a little unjust to TIP yesterday. The group had hinted at a slowdown in the UK some months ago when it switched the thrust of its investment programme to continental Europe, and long-term prospects for European transport stocks are still good. TIP and Tiphook together have about 60 per cent of the trailer rental market on the continent, which makes up a mere 3 per cent of the total trailer fleet. The real challenge is to dent the dominance of operator-owned trailers. The economic climate and TIP's interest payments will be thorns in the group's side in the near future, but TIP says continuing organic growth should soothe any discomfort. Assuming TIP tops £16m this year, the shares are on a prospective multiple of about 11.5. That is a premium to the market – worth it if one continues to trust projections of a rosy European future.

Reduced loss at Ross Group

ROSS Group, the USM-quoted electronics and specialist packaging company currently being revamped by a new management team headed by Mr Roger Shute, yesterday reported a loss of £485,000 for the nine month period to end-December.

The outcome, which compared with losses of £671,000 for the 12 months to March 31 1989, was struck after a reduced exceptional debit of £397,000 (£712,000) but a more than doubled interest charge of £465,000 (£210,000).

The directors said a return to underlying profits of £132,000 in the final quarter showed initial benefits of the group's cost reduction programme were beginning to feed through.

Turnover rose 17 per cent to £6.14m (£5.23m). Losses per 10p share worked through at 5.41p, down from 7.39p. There is no dividend for the period (1.2p).

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corresponding dividend	Total for year	Total last year
Arley Hidge	fin	1.4†	-	2.2	2.8	3.3
Barrett (Henry)	int	2†	July 2	1.65	-	5.1
Bennett/Fountain	int	nil	-	1.32	-	1.32
Bodycote Intl	fin	5	July 2	4.25	8	7
Boxmore Intl §	fin	3.85	May 21	-	5.55	-
Brammer	fin	8.5	July 2	8.5	13	13
City Centre Rest	fin	0.815	June 8	0.65	1.265	1.1
Clondalkin	fin	2.3♣	-	2.129	3.755	3.478
Delaney	fin	0.2	May 31	2.6	1.5†	3.9
Ipeco	fin	2	June 8	1	3	1.5
Johnson Group	fin	9	-	8.5	13	11.5
Magnolia	fin	3.65	-	3.45	5.4	5
Mecca Leisure	fin	3	-	1.2	5	5.7‡
Meggitt	fin	2.2	June 8	1.65	3.3	2.75
Olives Holdings	fin	6	June 15	7.5	9	7.5
Peek	fin	2.3	-	2.1	3.3†	3
Ross Group §	fin	nil	-	nil	nil	1.2
Sema	fin	1.6	-	1.44‡‡	2.4	1.44‡‡
Shandwick	int	0.89†	June 1	0.6675	-	2.55
Sintrom	fin	1.84	May 25	1.74	2.64	2.64
TIP Europe	int	1.7†	-	1.6	-	5
Worcester Group	fin	2.57	May 14	1.98	3.82	2.9

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ¶Third market. ‡For 15 months. ‡‡For eight months. ♣Irish currency.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Finals- Anglo Pacific Resources, Ash & Lacy, Avonmore Foods, Boustead, Butler Cox, Cluff Resources, Friendly Hotels, Harrisons & Crosfield, Leo Refrigeration, Serif Cowells, Sherwood.

FUTURE DATES

Interims-	
Bellway	May 3
Prestwick	Apr. 18
Finals-	
Boosey & Hawkes	Apr. 10
Dagenham Motors	Apr. 10
EIS	Apr. 17
FSD	Apr. 10
Fortnum & Mason	Apr. 9
Molyns	Apr. 5
Hurdin & Peacock	Apr. 11
Scottish Television	Apr. 6
Thompson Clive Invs	Apr. 17

Sema bounces back with 36% improvement to £17.5m

A RETURN to profitability in the UK and the Netherlands last year helped boost pre-tax profits by 36 per cent to £17.5m at Sema Group, the Anglo-French computing services company quoted in London.

On the results published yesterday, Sema, bouncing back after a disappointing 1988, is now second to Cap-Gemini-Sogeti (CGS) of France in the league of European computing services companies, just ahead of SD-Scicon of the UK.

Sema's revenues in 1989 were £293m, an increase of 17 per cent on the previous year. Earnings per share, at 11.6p, were 38 per cent ahead of the 1988 figures. A recommended final dividend of 1.6p makes a total for the year of 2.4p.

The company has restated its 1988 results on a pro forma basis for comparability. Reported pre-tax profits of £2.6m for the eight months of 1988 have, therefore, been restated as £12.9m while revenues of £161m have been restated as £297m.

Mr Pierre Bonelli, group managing director, said yesterday that the rate of the growth of the company, slightly more than the industry average, was satisfactory, but that he was anxious to improve profit margins.

He believed there was no reason why Sema should not achieve pre-tax profit margins of about 10 per cent of sales.

Pierre Bonelli: anxious to improve profit margins

● COMMENT

Sema is determined to prove that the standard of management throughout the group is now on a par with the French company, which is noted for its tight and conservative financial controls. Mr Jerry Jerram, recently appointed financial director, made the point in indicating that £5.6m of profits the company made during the year through exchange rate differences, had been attributed to shareholders funds – up 28 per cent at £65.8m – rather than taken into the profit and loss figures. But Sema's problem is still the CGS shareholding and its rival's waiting tactics. With a willing and eager buyer ready for any stock that comes on the market, the share price at 439p and the p/e at about 38 are being held artificially high; in that sense the company is becoming detached from the market and that must be worrying its management, in spite of its raft of friendly stakeholders.

Dubilier problems restrict Peek growth

By Jane Fuller

PEEK, the electronics group specialising in traffic and information systems, increased pretax profits by 36 per cent to £11.4m in 1989.

Sales grew by 50 per cent to £67.5m, but earnings per share remained flat at 7.9p (7.8p) because of issues to make acquisitions.

Mr Ken Maud, chief executive, said the rapid growth of the core businesses had been held back by the lower margin Dubilier connectors companies. Demand for those products from the computer and telecommunications industries had been flat, particularly towards the end of the year in the US.

Acquired in mid-1988 for shares, the Dubilier companies were being sold off. Two thirds of the way through the disposals, £14m cash had been gained, Mr Maud said.

The traffic and data division increased its turnover to £21.5m (13.4m) and operating profit to £3.4m (£2.2m).

Mr Maud said that because of traffic congestion, demand was growing for such electronic devices as vehicle counters and classifiers.

On the data side, Rusky's rugged portable computers, weighing 2.2kg, had more than doubled earnings. Demand was particularly strong in continental Europe.

The navigation and communications division, which includes the connectors operation, made sales of £31.6m (£17.7m) and an operating profit of £3.8m (£2.6m).

The figures include eight months of Polytechnic Electronics, which makes navigation equipment. Because it had not shown the growth expected, the management had been strengthened and the products improved.

The most disappointing division was measurement and monitoring, with operating profit declining to £1.9m on sales slightly ahead at £14.4m.

One problem area, level measuring equipment in the US, had been sold to management.

Such difficulties had offset the good performance of the aerospace instruments company.

At the end of the year, Peek had net cash of £18.6m, since diminished by two acquisitions for a total $7m (£4.2m). Net interest received was £2.26m (£1.48m). Mr Maud said further acquisitions would be made to strengthen the measurements and traffic activities.

A final dividend of 2.3p makes a total of 3.3p (3p).

Forecast pre-tax profit for 1990 of £12.8m gives a prospective p/e of 8.3 on yesterday's closing price of 69p, a 3p gain.

UK COMPANY NEWS

Softer trading conditions leave Brammer at £13m

By John Thornhill

BRAMMER, the industrial service group, reported a marginal fall in pre-tax profits in 1989 as it encountered softer trading conditions and tightening margins in the second half of the year.

Pre-tax profits declined from £13.38m to £13.03m, although this was after an exceptional charge of £994,000 resulting from various provisions. At the trading level, profits advanced by almost 5 per cent from £13.38m to £14.02m.

Brammer's businesses recorded patchy performances during the year.

Operating profits in the UK *climbed from £12.83m to* £13.22m although the company met harsher trading from May onwards. The company is placing increasing emphasis on marketing and spent heavily on building up its computer-based information systems. It also launched a new corporate identity campaign for BSL, its biggest subsidiary.

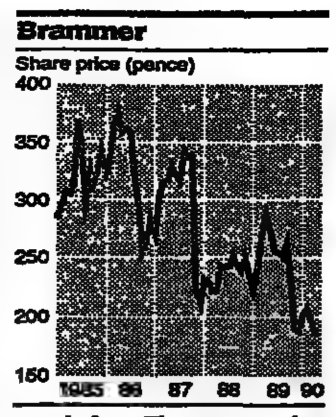
Brammer's continental European businesses reported increased trading profits of £938,000 (£434,000). The group's West German side recovered from earlier problems although its French activities were still experiencing difficulties.

But Master Pumps, the US subsidiary, slipped into a loss of £137,000 compared with a trading profit of £112,000 the year before. The company has been reorganised and reshaped and is currently trading profitably.

In August, Brammer sold Pope Machinery for £2.48m.

Group sales were 8 per cent higher at £121.13m (£112.04m). The recommended final dividend of 8.5p leaves the total unchanged at 13p. Earnings per share fell to 19.7p (20.6p).

Mr John Foulds, chairman, said UK companies had historically been a sensitive bellwether of the economic climate and that conditions had tightened in the current year. However, he added that at present the company did not expect lower profits for the current year.



● COMMENT

"Marketing is fast becoming the pace-making discipline within Brammer," the company claims, and in the current year it will need to be. The economic squeeze is going to continue to make life difficult for Brammer and the company will have to sell hard just to stand still, continuing an uninspiring run of results. Pre-tax profits were £13.6m in 1985 and earnings have gone nowhere since then, while the company's share price has been on a downward trend since the aborted Bunzl bid. For the current year, pre-tax profits might only crawl ahead to £14.2m putting Brammer on a fairly dear prospective multiple of 9, although this is supported by a strong dividend yield. Brammer's long-suffering shareholders will have to wait a little longer, it seems, to reap the rewards of their patience. Yet in time all might still come good. Analysts believe that the company has worked hard to improve the fundamentals of the business and when the UK economy does pick up Brammer will be in a good position to benefit. In the meantime, the shares will look sleepy unless another bidder comes along to disturb the slumber.

'Disappointing year' as British Alcan falls 39% to £32.8m

By Kenneth Gooding, Mining Correspondent

"ON BALANCE it was a disappointing year," said Lord Peyton, chairman of British Alcan Aluminium, when reporting yesterday a 39 per cent drop, from £54.2m to £32.8m, in taxable profits for 1989.

Lord Peyton said higher operating costs and interest payments and competitive pressure on prices last year all took their toll on the company, a wholly-owned subsidiary of Alcan Aluminium of Canada.

All divisions, apart from chemicals, missed their financial targets for the year.

British Alcan continued to spend heavily on its restructuring and redundancy programme, which cost £9m last year compared with £7m in 1988 and saw the workforce reduced from 11,061 to 10,664.

Research and development spending was reduced by £1m to £10m but capital expenditure was boosted by £22m to £73m. "There has been a marked and very visible improvement in many of our plants. Much that was ancient, worn out or unreliable has been replaced with equipment as good as is to be found anywhere in the world," said Lord Peyton.

Mr Douglas Ritchie, chief executive, said: "The challenge for British Alcan is to remain profitable and internationally competitive during the down cycle. We have invested about £170m over the past three years with the objective of updating key pieces of plant and equipment.

"This investment, combined with some £16m over the last two years spent on restructuring and redundancy, should ensure these objectives are met."

British Alcan shipped 319,000 tonnes of aluminium of all types last year, marginally below the 323,000 tonnes in 1988. Turnover rose 11 per cent, from £778.5m to £862.7m, including exports 26 per cent up at £283m. Operating profit fell from £68.8m to £51.1m and interest payments rose from £14.6m to £18.3m.

The tax charge jumped from £1.9m to £9.3m, leaving profit attributable to members at £23.5m, down from £52.3m. As usual there is no dividend payment.

Worcester profits static at £5m

By David Owen

REDUCED DEMAND and an ill-timed product launch left Worcester Group, the manufacturer of Heatslave central-heating boilers, with flat profits for the 1989 year.

Along with the results the company also announced the acquisition of Grate Glow Fires, a maker of fuel-effect fires, for £2.6m in cash and shares.

Just under £2.2m of the purchase price is to be paid through the issue to the vendor of 1.76m new Worcester shares at 125p. The shares, which are languishing at their lowest level of the year, were unchanged at 123p.

In all, pre-tax profits edged up to £5.03m from £5.01m in 1988, on equally slender turnover growth to £39.85m (£39.47m).

However, the company, which benefited from a lower tax charge, unveiled a near 30 per cent hike to 2.57p (1.98p) in the final dividend, making a total 32 per cent higher at 3.82p. Earnings per share advanced to 14.2p (13.8p).

Commenting on the results, Mr Cecil Duckworth, chairman, said that the group's announcement in March of a new model range had coincided with an increase in interest rates "which resulted in a sudden lack of confidence within the sector."

This "led to considerable merchant de-stocking and had a significant effect on sales." It also resulted in "some overproduction in the short term."

Mr Duckworth said that demand for gas-fired boilers was down about 10 per cent overall, but that combination boilers continued to increase market share to approximately 20 per cent.

Worcester is the UK's leading manufacturer of combination domestic boilers, which heat water directly from the mains, obviating the need for a hot water tank. Last month, Hepworth, the UK building materials and home products group, paid £155m for Saunier Duval, the French combination boiler specialist.

Metal Constructions, Worcester's steel fabrications subsidiary, enjoyed an "excellent" year, capitalising on good trading conditions.

Packaging Products, the waterproof papers unit, had a "reasonable" performance in difficult circumstances. Plans to dispose of the division, in line with a policy of focusing on core boiler operations, are said to be well advanced.

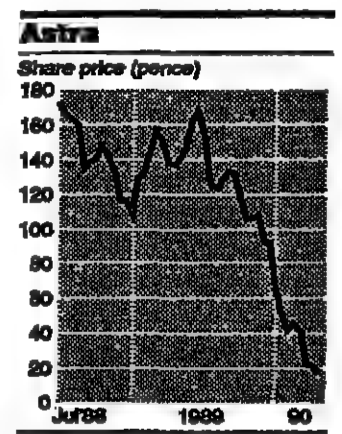
Astra accountants probe activities of ex-directors

By Jane Fuller

MR ROY BARBER, non-executive chairman of Astra Holdings, the munitions and fireworks maker, since early March, said the investigation by its accountants would cover a wide range of subjects, "including the conduct of certain executive directors prior to March 1990".

Coopers & Lybrand Deloitte, as well as Ministry of Defence police, are pouring over the company's books.

None of the executive directors who have led the company since its 1986 listing by way of a *reverse takeover of Francis* Sumner, the textile company, remain on the board.



The directors who have resigned include Mr Gerald James, chairman, who played a leading role in forming the group in 1981, and Mr John Anderson who joined in the same year.

These two were originally to have received £300,000 and £200,000 respectively in compensation. But Mr Barber said on March 23: "In the light of matters which have now come to the company's attention, I have notified Mr James and Mr Anderson that the company is not now prepared to consider such payments."

An extraordinary general meeting later this month will consider the issue.

Mr Christopher Gumbley, who is under investigation by the MoD police, resigned in mid-March. He too had been with the company since 1981 and had held the posts of production director and sales director before becoming managing director in 1984.

Mr James Miller, finance director, resigned later and, according to Mr Barber, received a minimal compensation payment. Mr Miller had been finance director since June 1986, a month before Astra came to the market.

Mr Martin Guest has resigned from the board but stays on as technical manager.

Since the listing Astra's history has been dominated by one big acquisition a year, each involving big share issues.

In 1987 there was the £22m buy of two US companies and the purchases culminated in last year's £33m one-for-two rights issue to buy PRB, a loss-making Belgian ammunition components and propellants company.

The rights issue document implied that PRB, after incurring a £12m loss in 1988, would make a £2.5m profit in 1989. When Mr Barber warned of substantial losses for Astra in the 12 months to the end of March, he mentioned losses in the UK and estimated that PRB had lost nearly £12m in 1989.

Astra paid £1m for PRB plus £20m in debt repayments. Mr Barber said the group was considering taking legal action against the vendors – Gechem, a subsidiary of Société Générale de Belgique.

Before that deal the management had gained credibility through its turnround of Astra Defence Systems, formerly BMARC, which was bought for £32m in May 1988 involving a 22-for-25 rights issue.

After making a pre-acquisition loss of £2.6m, Astra Defence Systems, by far the biggest part of the UK operation, made a significant contribution to Astra's sharp rise in pre-tax profit to £9.5m for the year to last March, on group sales doubled to £95.2m.

Now Astra Defence System's Grantham factory has borne the brunt of the redundancies, with 250 *job going* as the new management tackles the UK losses.

Astra's financial troubles became clear in December last year when a pre-tax loss of £3.43m was announced for the six months to September 30.

Chemoxy bid goes unconditional

Suter has declared unconditional its recommended £13.45m cash offer for Chemoxy International. On March 30, Suter owned and had valid acceptances in respect of 52.08 per cent of Chemoxy's voting rights.

NEWS DIGEST

Bennett & Fountain in the black

BENNETT & FOUNTAIN Group, which fell deeply into the red in the second six months of the 1988-89 year following a slowdown in consumer spending, moved back into the black for the opening half of the current year.

For the six months to end-December the electrical goods distributor returned profits of £571,000 pre-tax helped by a £3.85m surplus on the restructuring of the retail division, which compared with £2.58m for the first half of 1988-89 and losses of £10.46m for the second six months.

The directors said their objective of restoring the group to profitability had been achieved in spite of the continuing highly competitive trading environment.

First half sales totalled £53.88m (£52.78m) and generated trading profits of £3.11m (£3.85m), of which wholesale contributed £2.36m (£2.19m) and retail £753,000 (£1.66m).

Interest charges rose by £1.27m to £2.54m and the tax charge fell from £828,000 to £91,000. Earnings emerged at 0.9p (5.02p) and, like last year's final, the interim dividend is being omitted – 1.32p was paid previously.

Clondalkin raises profits to I£10m

Clondalkin Group, the Dublin-based printing and packaging manufacturer, reported pre-tax profits up from I£8.04m to I£10.09m (£9.75m) on turnover of I£129.17m against I£110.7m.

Mr Domhnall McCullough, chairman, said current trading and prospects were satisfactory. Results to date showed a healthy increase in earnings arising from improved performances in Ireland, Britain and the US.

Earnings last year rose from to 19.41p (15.35p) and the dividend goes up to 3.755p (3.476p). Tax took I£2.06m (I£1.79m).

Sintrom lacks spark with dip to £1.04m

Sintrom, the Berkshire-based provider and installer of network systems and a distributor of computers, saw pre-tax profits slide from £1.82m to £1.04m in 1989.

The proposed final dividend is 1.64p (1.74p) making an unchanged 2.64p for the year. Earnings declined from 11.64p to 5.97p per 10p share.

Directors said that 1990 had begun with sales on target across the group. Margins were under some pressure but action was being taken to reduce costs.

Turnover improved by 22 per cent to £33.58m (£27.63m). Tax took £430,000 (£634,000) and there was an extraordinary charge of £144,000 (nil).

Boxmore on target with £2.31m

In its first set of results since joining the USM, Boxmore International, the Ireland-based packaging company, yesterday reported pre-tax profits of £2.31m and is recommending payment of a final dividend of 3.85 for a total of 5.55p, comfortably beating the flotation forecast of 5.2p per share.

The result for 1989 represents a profits increase of 47 per cent on last year's £1.57m and came from turnover of £16.2m (£13.6m).

Mr Harold Ennis, managing director, said that turnover growth in early 1990 had been satisfactory with profitability in line with budget.

The group would continue to pursue organic expansion in both its trading divisions, he said, and would seek acquisitions to complement existing activities.

Tax took £565,000 (£429,000) after which earnings per share from continuing activities worked through at 16.4p (11.3p). Net assets rose 14 per cent to 113p per share.

Magnolia cautious after dip to £1m

Magnolia Group, the Southend-on-Sea based picture frame mouldings and limited edition prints company, yesterday reported "disappointing" annual results and said another tough year was in prospect.

Taxable profits for 1989 totalled £1m – a decline of 32 per cent on the previous year's £1.47m. As in September's interim statement, the directors blamed the outcome on the hot summer which led to "difficult trading conditions". Interest rates were also an adverse factor.

Turnover amounted to ££21.91m (£18.96m). Interest charges increased to £315,000 (£297,000), although gearing at the year-end was 16 per cent, down from 50 per cent.

Earnings per 10p share worked through at 10.91p (19.31p), but the total dividend is raised 0.4p to 5.4p via a recommended final of 3.65p.

Record profits of £3.43m for Ipeco

Ipeco Holdings, a maker of aviation and defence products, reported 1989 profits more than trebled to a record £3.43m, against £1.04m. The 1988 figure took account of a loss of £775,000 on a discontinued activity.

Mr Chris Johnson, chairman, said that on the basis of the company's order books and the continuing strength of its markets he was optimistic about the present year.

Turnover was £16.79m (£12.64m) and after tax of £1.27m (£388,000) earnings were 7.86p (2.87p). The total dividend is doubled to 3p following a proposed final of 2p (1p).

UK COMPANY NEWS

Strong medicine with a degree of risk

Peter Marsh analyses Bob Bauman's strategy to put SmithKline Beecham on the path to success

IN HIS youth Mr Bob Bauman, chief executive of SmithKline Beecham, spent several months playing in goal for his college soccer team – and admits he hated it.

In the past few weeks the lanky American has again been the focus of attack from opponents anxious to put the boot in, though so far he has managed to emerge smiling.

The cause of the current disquiet is the problems which some onlookers believe SKB will run into over the next couple of years.

The company, one of the world's top four prescription-pharmaceuticals groups, was formed last July after a merger between SmithKline Beckman of the US and the UK's Beecham.

Some of the gloss related to prospects for the company – which is also involved in consumer healthcare products such as over-the-counter drugs, animal medicines and clinical laboratory services – appears to have worn off over the past few weeks. This happened in particular after the company announced its first full set of results on March 14.

The results for the year to December 31 showed sales of £4.3bn and a pre-tax profit of £724m, an increase of just 3 per cent on the previous 12 months. This, together with a £500m restructuring charge and the admission that the company is still shopping around for a buyer for its hard-to-sell cosmetics division, disappointed many stock market analysts.

There has also been some unhappiness about the company's research and development pipeline, which some believe looks extremely thin and lacking in the large-selling drugs needed to continue the group's momentum in the late 1990s. SKB will be hoping to dampen disquiet on this score today when it briefs analysts on its £300m-a-year drugs development programme.

Mr Bauman says he has been surprised by the criticisms. He believes few things have happened during the company's first eight months that have not been planned and that the group is still on target to achieve its main aims.

Of these, the main one is that the combined group will show greater growth over the long term than could have been achieved by the two components of the merger had they stayed independent. "This is not a six-month or a one-year undertaking," insists Mr Bauman. "We are creating a new company and it will take time to achieve this."

Mr Bauman, a relaxed-looking 59-year-old who took over as the head of Beecham nearly four years ago and was the driving force behind the merger with SmithKline, is especially keen to discuss the planning process behind the bringing together of the two companies.

Soon after the deal was ratified, he involved some 2,000 of the top managers from both companies in about 300 committees to work out how the new business would organise itself. The committees finished their work within six months, producing a pile of paper 8 feet high which acted as the blueprint for the merged company.


Trevor Humphries

Bob Bauman: confident that the kind of savings he has in mind will come about

This highly structured approach to planning, says Mr Bauman, was unprecedented in a combination of this size. "So many mergers do not meet their expectations because managers do not bring the parts of the company together and make the best of what's there. We had to act quickly to stop patterns forming."

The pile of paper, describing the intended operations of the group in areas such as manufacturing, distribution, R&D and how the company splits up its operations around the world, now acts as a guide for a three-man team within SKB's headquarters.

This group will monitor progress over the next two years or so, during which the company aims to cut costs substantially by reducing its 55,000-strong worldwide labour force by 10 per cent. It will also close nearly 70 of its several hundred manufacturing, administrative and distribution centres.

During this time, according to SKB's plans, the company will formulate new strategies in areas such as centralised purchasing for certain items of equipment and services. It will also lay the ground for a new cycle of products in the company's main commercial areas, while at the same time force employees into the planned working structures.

Mr Bauman admits the changes involve a certain amount of risk, either through people not working well together or the grand plan falling down in other ways. "But not doing anything (in planning) would have carried an even greater risk," he says.

On the details of the £500m restructuring charge, Mr Bauman says he feels confident that the kind of savings he has in mind will come about. The plan is that SKB will spend the cash by 1993 (with most of the expenditure coming in the next year) on redundancies and other merger-related operations, and recoup the money through better efficiencies. Responsibility for making the changes will be left to several hundred senior managers within the company.

Regarding the future, Mr Bauman says he recognises the overriding importance of drugs R&D. He plans to keep levels of spending here at their current high levels.

Although some analysts describe the development programme as unexciting, Mr Bauman says the group has a "good portfolio" in drugs R&D. He points out also that the other parts of the group are expected to make a substantial contribution. "You have to remember also that only half our turnover comes from (prescription) pharmaceuticals. We are not involved with these other areas simply by accident; we are hoping from good growth from these activities too."

Some of the criticisms on R&D, however, are difficult to refute. Mr Erling Refsum, a drugs-industry analyst at the London office of Nomura, the Japanese securities group, says neither of the two parts of the SmithKline/Beecham combination has had a particularly good record in pharmaceuticals innovation. He adds: "There is nothing in the research programme that is big enough to give a kick to a company this size. I am distinctly worried about medium-term prospects."

As for Mr Bauman, he shows every sign of relishing the challenge of taking SKB through what might be the difficult years ahead. He recalls that after his unpleasant experiences in earlier life as a soccer goalkeeper he switched back to his favourite sport of basketball, with some success. Followers of the company will be hoping Mr Bauman, who remains lean and fit-looking, can manage also to continue to keep his eye on the ball.

City Centre shows 26% advance to £10m

IN SPITE of trading conditions being less buoyant than in 1988, City Centre Restaurants, formerly Belhaven, managed a 26 per cent advance, from £8.05m to £10.12m, in pre-tax profits for 1989.

Although the outcome fell short of best City expectations, the shares put on 3p to 39p.

Turnover gained 20 per cent to £63.03m (£52.71m). Restaurants operating profit advanced by a similar percentage, from £7.4m to £8.86m. Trading conditions in 1989 were partly affected by public transport disruption, the hot weather and the high interest rates.

Mr Bruce Johnston, chairman, said some reduction in the volume of covers had been experienced although there had been no reduction in average spend per customer in real terms. Net operating margins had been maintained.

The rate of new openings slowed in 1989 with 124 restaurants operating at the year-end compared with 111 at the end of 1988. The rate of expansion was being accelerated and 131 restaurants were now operating with 17 new sites scheduled to be opened in the current year.

The first unit outside the UK was due to be opened in Amsterdam this month and a number of small units in West Germany were being assessed.

Mr Johnston said that although all divisions would continue to be expanded, the greatest rate of expansion would be in the Deep Pan Pizza division. That currently formed 52 per cent of total outlets and the percentage would increase.

He concluded that although it was still early in the current financial year, results for the first quarter were comfortably ahead.

A final dividend of 0.815p is recommended to make a total of 1.265p against 1.1p. Earnings per share rose from 2.91p to 3.72p after tax of £3.18m (£2.8m).

Further diversification at Thames and Northumbrian

By Andrew Hill

TWO recently-privatised water companies – Thames Water and Northumbrian Water Group – have announced further diversification.

Thames is to strengthen its links with Brophy, an environmental improvement company, by making a cash injection of up to £1.5m of equity capital and £500,000 of preferential loan stock.

The former water authority will own half of a new parent company for all Brophy's existing operations, including external works and grounds maintenance contracting.

The new company, Brophy Group, will also own all of Thamesgro, the original joint venture, which is involved in land reclamation and environmental improvement.

Separately, Northumbrian has bought Neil Bunting (Holdings), a Sheffield specialist in closed circuit television inspection and survey work, for just under £1m in deferred payments.

Northumbrian said it believed there would be considerable demand for CCTV inspection of sewers and water mains in the future because of the UK water industry's heavy capital expenditure.

NEWS DIGEST

Bodycote static at £9.8m

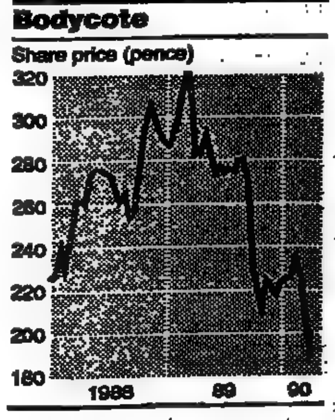
STATIC PRE-TAX profits of £9.81m, against £9.83m, were reported by Bodycote International for 1989, although turnover advanced by 17 per cent, from £67.46m to £78.86m.

Mr Joe Dwek, chairman, said that 1989 had been a year of solid achievement and that the directors had set the groundwork for sustaining the group's momentum in future years.

The group is divided into six divisions: metal technology, protective clothing and uniforms, industrial safety products, packaging, textiles and financial services and property management.

The total dividend is lifted by 1p to 8p with a final of 5p (4.25p) proposed. Earnings per share were little changed at 26.3p (26.7p).

Interest charges rose to £610,000 (£487,000). The tax charge was £2.88m (£3.08m) and there were minorities of £506,000 (£407,000).



Purchase helps Abbeycrest to £6.9m

Including an 11 months' contribution from Gallery Jewellers, profits of Abbeycrest reached £6.85m in 1989, compared with £3.38m.

Turnover of the group, which designs, manufactures, and supplies gold and silver jewellery, advanced from £25.48m to £59.19m. Earnings were 25.8p (14.3p) basic and 19p (13.7p), and the final dividend is 2.4p for a total of 3.6p (3.7p).

Gallery's base had been broadened to include the home shopping sector. Its profit for 1989 topped the minimum necessary for the deferred consideration to be paid, and 5.7m shares of Abbeycrest are to be issued.

Trading in the first quarter of the current year was only marginally ahead, but it was stressed that the comparative period proved exceptionally strong. The level of demand for products in the main selling season indicated another year of progress.

Ramco progresses to £942,000

Ramco Oil Services made considerable progress in 1989 with pre-tax profits up from £298,000 to £942,000. Its competitive position continued to strengthen, said Mr Stephen Remp, chairman.

Turnover rose to £4.78m (£3.62m), while earnings worked through at 3.86p (1.84p) per share.

Mr Remp announced a proposal to eliminate the deficit on distributable reserves through a capital reduction. That would enable the company to return to dividends and, subject to continuation of good trading performance, it would pay an interim of 1p in October.

The current year had started strongly, he said. The sectors of operation had continued their recovery and projections of activity in the North Sea were positive.

Operating cash flow remained strong. Debt equity ratio at December 31 was 1:11.

Mild winter hits Bray Technologies

High interest rates and the exceptionally mild winter were reflected in a sharp downturn from £1.01m to £605,000 in pre-tax profits for 1989 of Bray Technologies, a manufacturer of gas and oil burners and gas manifolds.

Turnover was up from £11.97m to £13.5m; the dividend recommended is 1p lower at 2p making 3.4p (4.4p) from earnings of 6.46p (11.32p) actual, and 6.3p (10.55p) fully diluted.

Tax took £212,000 (£346,000) and there was an extraordinary credit of £1.74m (£130,000 debit) arising from the sale of the electrical subsidiary. The shares are dealt on a matched bargain basis.

Recovery in second-half by EFM

Edinburgh Fund Managers showed a recovery during the second half of its financial year. In the 12 months to January 31, pre-tax profits improved from £4.07m to £4.91m.

At the half way stage, profits were down largely because of a decline in unit trust trading profits.

Turnover advanced from £8.18m to £8.05m but administrative expenses were up from £3.47m to £4.78m leaving operating profits of £3.33m (£2.69m). Other income amounted to £1.58m (£1.38m) and tax took £1.78m (£1.48m) leaving earnings per share 17.1p (15.9p). The proposed final dividend is 7.8p making 11.5p (10.5p).

Wescol improves to £910,000

Wescol Group, the Halifax-based structural engineer which came to the USM last November, announced pre-tax profits 40 per cent higher, from £649,000 to £910,000, for the six months to end-January.

Mr John Hicks, chairman, told shareholders that although certain parts of the UK construction industry were affected by current economic conditions, Wescol's business was continuing to grow.

Turnover rose 73 per cent to £12.96m (£7.5m), with earnings per share showing an improvement from 5.1p to 6.4p after tax of £318,000 (£234,000). There is an interim dividend of 1.5p; a total of 4.5p has been forecast.

19% take up for GC Flooring rights

Shareholders in GC Flooring and Furnishings, the USM-quoted carpet contractor, have taken up 19.14 per cent of the company's £1.2m two-for-three rights issue which it recently announced along with major board changes.

This leaves the three new directors headed by Mr Roy Simmons, together with English and International Trust, as primary underwriters, with 27.22 per cent of the enlarged issued share capital.

Mr Simmons was formerly chief operating officer at Thomson T-Line, the mini-conglomerate acquired by Ladbroke last year. The other new directors are Mr Roy Cort and Mr David Walsh.

ANZ McCaughan underwrote the balance of the rights issue. Existing shareholders took up 1.21m of the 6.3m shares on offer.

COMPANY NEWS IN BRIEF

GREENWICH RESOURCES is to purchase Clyde Petroleum (Ecuador) from Clyde Petroleum via the issue 92,000 ordinary shares.

HUGHES FOOD GROUP is to sell the freehold of The Maltings, a redevelopment undertaken by the group of a former brewery in the centre of Hull, for a consideration £4.23m to Crossglade, a company controlled by Mr R Hatfield, who is a director of a subsidiary of the group. Hughes has also agreed to dispose of land at Waterside Park, Hull, for £300,000 cash. In addition Hughes will, on completion, subscribe £100,000 for 20 per cent of the purchaser's ordinary capital.

INVICTA SOUND revealed that advanced bookings were at record levels. Bookings for the half year commencing April 1 were 3 per cent up on any previous six months and 15 per cent up year on year.

MOSAIC INVESTMENTS: Applications for the open offer of 3.51m new ordinary shares at 290p each have been received in respect of 1.44m new ordinary (72.1 per cent). The balance is being allotted to institutional investors.

MURRAY VENTURES: Net asset value per 25p share 368.2p (358.9p) at January 31 1990. Revenue for six months period was £1.3m (£859,000) after tax £470,374 (£299,584). Earnings per share 5.87p (4.12p) and interim dividend 3.25p (2.5p).

NORTHERN FOODS has sold its Canadian subsidiary, Northern Fine Foods, to Morrison Lamothe for C$5.2m (£2.7m). Morrison Lamothe is a private Canadian company manufacturing branded and private label frozen foods.

PILKINGTON has sold its 60 per cent share in Isotex, an Argentine glass fibre manufacturer, to Saint-Gobain, a French group which already owns the other 40 per cent. The value of the transaction was less than 5 per cent of Pilkington's assets. Pilkington's flat and safety glass operations in Argentina are unaffected by the sale.

POWERSCREEN INTERNATIONAL has disposed of Gareld Investments, the holding company of the Belleek Pottery group of companies, to Erne Heritage Holdings for £3.7m cash.

REGENT INNS, the specialist BES pub/restaurant operator, has bought 11 additional outlets for about £5m cash.

TAKARE, specialist in providing long term care for elderly and continuing care patients, has signed a £35m contract with the Greater Glasgow Health Board to build and operate a 180 bed nursing home.

WHITECROFT has sold the business of Parker Winder and Achurch, architectural ironmonger, to Yannedis. Whitecroft will realise £384,000 and retain the freehold interest in the property.

COMMODITIES AND AGRICULTURE

Moscow seeks bids for oil exploration rights

By David Thomas, Resources Editor

THE SOVIET union yesterday invited European companies to bid for the right to explore and develop five large oil and gas areas, the first time such an invitation has been issued by the Soviet authorities.

Making the invitation at a London meeting with some 40 European companies, Mr Aklim Moukametzianov, deputy oil and gas minister, said the Soviet oil industry, the world's largest, needed "continuous and increasing investment" on a scale that would be "hard to cope with at a time of radical changes in the Soviet economy."

The Soviet authorities also wanted to co-operate with Western oil companies in order "to master state-of-the-art technologies. . . where conventional methods fail and where oil recovery factors are low," the Minister said.

They are seeking Western help to develop five areas. Four are in the Western Siberian basin and have combined oil reserves of 7bn barrels, according to the Soviet Minister. There are technical difficulties in developing most of these reserves. The fifth is in the Bashkir region of the Volga-Urals basin and is described by the Soviets as having undiscovered oil and gas potential.

The Soviets hope to establish joint ventures in these regions by January 1991. Western companies interested in joint ventures have to buy packages of data about the areas and then submit bids by August.

Mr Nicolie Lisovsky, chief geologist at the Oil and Gas Ministry, said that the size of the Western participation in the joint ventures and the size of any per barrel royalty payment would be negotiated.

He added that the joint venture would own the oil and gas it was developing and would be able to export it.

The Soviet delegation, which made a similar presentation in Houston last week, said the Soviet Union would invite bids to help develop other oil and gas fields in the future.

● Second quarter oil consumption by OECD countries is likely to be 36.5m barrels a day, 1.5 per cent up on the same period in 1989, the International Energy Agency estimates. In yesterday's monthly oil report it put Opec's crude oil output in March at 23.7m b/d, unchanged from its revised February figure.

Nymex pipes in its natural gas contract

Hopes are high for New York's latest futures contract, reports Barbara Durr

THE NEW natural gas futures contract offered by the New York Mercantile Exchange (Nymex) was launched yesterday with a fanfare that would have done justice to the Queen Mary. Mr David Dinkins, the New York City Mayor rang the bell at 9.20 am for the start of trading and an elaborate kick-off ceremony was simultaneously held at the delivery point, the Sabine Pipe Line Company's Henry Hub near Erath, Louisiana. A satellite hook-up linked the two events for all to see.

Nymex's natural gas contract is the first of its kind for an industry that is still sorting itself out after de-regulation. De-regulation of the natural gas industry began back in 1978 with the Natural Gas Policy Act, but it has proceeded tortuously through a complicated web of federal and state rules on production, prices and transportation. Considerable local regulation still exists, and, says Mr R. Patrick Thompson, president of Nymex, "For several years we won't see a real free market." But Mr Thompson and Mr Z. Lou Guttman, Nymex's chairman, are confident that they have a winner.

"The industry approached us years ago and it believes the contract is valuable and needed," Mr Guttman says. Nymex believes trading companies, marketers, producers and end-users (plants using natural gas as fuel rather than public utilities) are the most interested parties. Some 3,000 individuals have attended seminars on the contract over the last five months and Nymex officials feel this indicates significant interest.

Nymex is hoping for slow consistent growth in the natural gas future, rather than spectacular volume on the first days of trading. Bets were none the less being made by floor traders that about 1,800 contracts would be traded on the opening day.

The contract unit is 10bn British thermal units and prices will be quoted in dollars per million BTU. The minimum price fluctuation is 0.1 cents per million BTU, or $10 per contract. The daily movement limit will be 10 cents per million BTU. Trading hours will be 9.20 am to 2.30 pm.

Nymex officials admit that they face scepticism still among some in the industry, but they attribute this to the many ups and downs that de-regulation has brought. "Adding one more change to the free market just naturally rubbed some people the wrong way," says Mr Thompson. Close to the launch, however, even those who had been negative have been keen to learn how to use the contract, he says.

The future will provide the first true price transparency on a daily basis. "Before, price was whatever was said, by word of mouth," according to Mr Guttman. Previously natural gas prices could not be projected, but the futures contract will allow those in the market to look down the road six or seven months. As de-regulation has unfolded, spot activity has set prices since 1983 for at least 60 per cent of the market. Nymex is now hoping that the natural gas futures market will become the industry's price barometer, as its futures already are for the oil.

Although Nymex is introducing the contract at the end of the winter heating season, natural gas's more volatile time, the moment is propitious. The US Government is considering a Clean Air Bill that may eventually mean a shift to greater use of natural gas. Lessening dependency on imported oil could also be an attraction. The US currently has some 66 years of reserves of natural gas, more than exist for crude oil. "It's so plentiful, we have our own supply and we're looking for more and more uses," says Mr Thompson.

The transition to free competition in the natural gas industry is nearing completion. The long-term deals that once dominated the industry have dwindled and the Federal Energy Regulatory Commission, charged with the deregulatory process, is trying to promote more efficient use of existing pipelines while considering applications for than 13bn cubic feet per day of new pipeline capacity. An incentive rate scheme should encourage free flow of gas in the 1990s. And finally, the last well-head price controls will be lifted by January 1993 following the gas price decontrol Bill signed by President George Bush in July 1989.

The natural gas futures pit will be jammed into the already crowded Nymex trading floor, which it shares with all four of the other futures exchanges in New York. Nymex already trades futures in crude oil, unleaded gasoline, heating oil, propane gas, residual fuel oil, platinum and palladium as well as futures options in crude oil, heating oil and unleaded gasoline. Total trading volume last year at Nymex, the third largest futures exchange in the US, after the Chicago Board of Trade and the Chicago Mercantile Exchange, was 38.5m contracts, with a daily average volume of 153,348.

The crowding on the futures floor is expected to be alleviated in the not too distant future by a move to a new building. A new building search is expected to be completed by late summer.

The long-awaited merger of Nymex and the New York Commodities Exchange should come within three months, according to the Nymex chairman. Pressure from the floor communities of both exchanges appears at last to be quickening the glacial progress of the 14-year-old merger process towards a successful conclusion.

Israel's diamond polishers having a rough time

By Victor Mallet

AFTER SIX years of sustained growth, the Israeli gem diamond processing industry is being squeezed by higher rough diamond prices and by the negative effect of the yen's fall against the dollar on the vital Japanese consumer market.

Official Israeli figures for the first three months of this year show a 15 per cent drop in the volume of net polished diamond exports to 982,000 carats compared with the same period in 1989. In March export volume was down 20 per cent from the corresponding month last year.

Higher prices have kept the value of Israel's exports high – they rose by 9 per cent to US$783m in the first three months and were steady at $250m in March – but profit margins have been narrowed by the failure of consumer prices to match the rise in the cost of rough diamonds.

De Beers' Central Selling Organisation increased rough diamond prices by an average of 20 per cent last year and by a further 5.5 per cent last week.

Israeli diamond dealers believe that the latest rise will have a particularly severe impact on the medium-sized diamonds favoured by the Israeli cutting and polishing industry.

"The latest increase might only exacerbate the situation," says Mr Tzafrir Anbar, Diamond Controller at the Ministry of Industry and Trade. "Instead of having stability in the business we are going to face a decrease in the number of workers and an increase in unemployment."

Israeli companies process about half the value of the world's rough diamonds for jewellery, but they face a weak American market, the fall-out from the financial crisis in Japan, the political problems dogging the Hong Kong market and competition from cheap labour in the Far East. Employment on the manufacturing side peaked at nearly 13,000 in 1986 before falling to the current level of around 11,300 in more than 700 factories. Last year 120 workshops closed, according to Mr Anbar.

The long term outlook, however, is by no means all gloomy. Smaller Asian markets such as Taiwan are developing fast and there is hope for the opening of new markets in eastern Europe. Israeli producers are cutting costs through automation and the use of new technology, and two Israeli-Japanese joint manufacturing ventures were established last year.

At the Diamond Exchange in Tel Aviv Mr Charlie Hollander of HR Diamonds, one of the biggest trading companies, says sales have risen by 45 per cent so far this year to about $20m, partly because of the company's efforts in Asia.

Mr Simcha Lustig of Moshe Lustig Diamonds says: "I foresee several more joint ventures with Japan. It ensures us stability and a growing market."

Although Israel's diamond exports were worth a record $2.7bn last year, the net benefit to the economy is much smaller than the sum suggests. Imports of rough stones and polished diamonds were worth nearly as much, leaving a difference of only $160m and a much smaller value added than in previous, easier years.

"People lost money last year," says Mr Anbar. "The weaker manufacturers just closed down. The stronger ones maybe cut the number of their employees a little, cut their profits and squeezed their expenses."

Gummer announces moves on environment and food safety

By Bridget Bloom, Agriculture Correspondent

A PACKAGE of measures to improve safety and environmental standards in British farming were announced by Mr John Gummer, Agriculture Minister, in London yesterday.

Moves aimed at drastically cutting the backlog in approvals for new and old pesticides headed the list, which also included the designation of ten new experimental nitrate sensitive areas, where farmers will be paid to use minimal amounts of fertiliser in the interests of purer drinking water.

In addition it was announced that the Government was to take powers in the new Food Safety Bill to control in live animals residues left by veterinary substances, including growth hormones.

While the new measures were grouped together coincidentally – a tight pre-Easter parliamentary schedule meant they had either to come in a rush yesterday or be delayed for several weeks – they illustrate the degree to which the Government is now reacting to pressures to make farming more environmentally friendly.

The new moves on pesticides are the clearest evidence yet of government reaction to pressure from an unprecedented alliance of the British Agrochemical Association, Friends of the Earth and consumer groups. Their call for a tripling of resources into pesticide approvals had now been met, Mr Gummer claimed yesterday.

Delays in new UK pesticide approvals, at up to four and a half years, are the longest in the EC, while older pesticides, now up for review under 1986 legislation requiring mandatory approval, are subject to a 20-30 year backlog at current rates.

Capacity to approve new pesticides would rise from eight a year in 1990-91 to 20 in 1992-93 and 25 a year thereafter, when the backlog would be cleared, Mr Gummer said yesterday. The backlog on more than 250 older pesticides should be cleared by 1999-2000, he said.

To accomplish this, staffing at the Ministry's Data Evaluation Unit is to be increased to 86, from 25 in 1986 and 54 today. Facilities at the unit are to be improved, while work will also be contracted out to independent laboratories.

The overall cost of these measures, which will add £2.2m to current spending of £4.8m, is to be financed by the agrochemical industry. Licence fees will rise this week from £7,000 to £30,000 for the approval of a new active ingredient.

In future, Mr Gummer said, all pesticide approvals would be subject to time limits averaging ten years. And all evaluation data would be "made available for public scrutiny in as open a way as anywhere in the world," he claimed.

Mr Gummer first announced last July that Britain would establish pilot nitrate sensitive areas so yesterday's announcement was principally to designate the new NSAs precisely and to announce compensation rates. The schemes are to be voluntary in the first instance.

Two of the originally designated NSAs have been dropped. These are at Milton in Derbyshire and Millington Springs, Humberside, both of which are small. The other 10 range from 4,200 ha near Sleaford in Lincolnshire to 500 ha at Old Chalford, in Oxfordshire.

There are also nine so-called advisory NSAs where farmers will be urged to follow certain practices but will not be paid compensation.

Initial rates of compensation proposed by the Government have been raised, though rates vary between the NSAs and according to how far fertiliser use is curbed.

There is a basic rate ranging from £55 to £95 a hectare (up from the proposed £40 minimum), where fertiliser use will be reduced, and a premium rate ranging from £200 to £380 a hectare, depending whether, for example, existing grass is left unfertilised or arable land is returned to ungrazed grass.

Mr Gummer said that the total cost of the NSA experiment was expected to be £7.5m over five years.

Freight index fall continues

By David Blackwell

THE BALTIC Freight Index (BFI), the indicator for dry cargo freight rates, fell for the seventeenth consecutive time yesterday, shedding 15 points to 1,513.

This takes the fall over the past 3¼ weeks to more than 100 points at a time of year when the market is expected to rise as the last of the year's grain trades are shipped. Freight futures on London's Baltic Futures Exchange have fallen in line with the BFI, on which the futures contracts are based.

"The spot market has been extremely weak contrary to normal seasonal expectations," said Mr James Gray of GNI, the London broker, yesterday. "April and May are usually the peak time for shipping grain, particularly to the Soviet Union. But the Soviets are not moving as much grain as usual."

In addition, the Japanese are less busy than usual in the grain trade, possible because of their own economic problems, he said.

Last year the BFI rose to 1,750 points during mid-May. But at the moment the charts are pointing downwards, said Mr Gray. However, he saw no reason for prices to go down much further.

Mr Philippe van den Abeele of Clarkson Wolff, the London broker, said the overall tone of the market had changed dramatically recently because of a lack of inquiry after business. Not only was the grain trade quiet, the coal and iron ore trades were also dull. In addition 34 new ships of between 100,000 and 150,000 tonnes were being launched this year, and there was no upward pressure on rates, he said.

MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,750-1,790 (1,740-1,780).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 3.95-4.15 (4.00-4.20).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 4.20-4.40 (4.35-4.50).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 8.20-8.50 (8.25-8.55).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 220-235 (same).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 3.25-3.30 (3.25-3.35).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 5.60-6.00.

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO, cif, 39-56 (same).

VANADIUM: European free market, min. 98 per cent, $ a lb VO, cif, 4.00-4.20 (3.80-4.05).

URANIUM: Nuexco exchange value, $ per lb, UO, 9.00 (same).

WORLD COMMODITIES PRICES

MARKET REPORT

COCOA prices closed at the highest levels for 6½ months after heavy trading in London yesterday, and were well up in New York at midsession. London traders said the rise reflected concern about dry weather in Brazil and West Africa, suggesting a smaller-than-expected world surplus this season. Continuing unrest in the Ivory Coast, the world's largest producer, and uncertainty about Brazil's exports after its change in administration also helped the market. Gold prices rallied, closing on the London bullion market $6.25 an ounce up at $375.25. Dealers said that talk of Middle East buying sparked short covering and bargain-hunting. Further support came after news that a Soviet official had said the USSR was not involved in discounted gold sales and might publish production and reserve data. Other precious metals followed; silver closed above 500 cents an ounce. On the LME, lead wiped out Monday's losses in the face of continuing concern over tight nearby supplies; zinc rose sharply on short-covering; and copper closed off the day's lows after market talk suggested a landslide in the production area of Chile's El Teniente mine.

Compiled from Reuter

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$15.73-5.87y	+0.10
Brent Blend	$18.58-8.62y	+.025
W.T.I. (1 pm est)	$20.43-0.48y	-0.02
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$233-235	-1
Gas Oil	$164-165	+2
Heavy Fuel Oil	$78-80	
Naphtha	$169-171	-1
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$375.25	+6.25
Silver (per troy oz)♣	501c	+6
Platinum (per troy oz)	$477.25	+6.50
Palladium (per troy oz)	$128.50	+0.66
Aluminium (free market)	$1565	-10
Copper (US Producer)	126⅞c	
Lead (US Producer)	57.5c	
Nickel (free market)	415c	-5
Tin (Kuala Lumpur market)	17.78r	-0.20
Tin (New York)	313.0c	+1.5
Zinc (US Prime Western)	83¼c	
Cattle (live weight)†	115.24p	+3.17*
Sheep (dead weight)†	280.84p	14.43*
Pigs (live weight)†	97.12p	+2.05*
London daily sugar (raw)	$361.0w	-13.5
London daily sugar (white)	$444.5w	-3.5
Tate and Lyle export price	£338.5	-8.0
Barley (English feed)	£104.5x	
Maize (US No. 3 yellow)	£133.5v	
Wheat (US Dark Northern)	£120t	
Rubber (May)♥	58.25p	
Rubber (Jun)♥	58.75p	
Rubber (KL RSS No 1 May)	227.5m	+0.5
Coconut oil (Philippines)§	$352.5w	-7.5
Palm Oil (Malaysian)§	$275t	
Copra (Philippines)§	$245y	-5
Soyabeans (US)	£163.5	-0.5
Cotton "A" index	82.65c	+1.20
Wooltops (64s Super)	572p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. x-Aug. t-May/Jun. v-Apr/Jun. w-Apr/May. z-Apr y-May. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
May	336.80	334.80	339.60 336.80
Aug	342.60	341.60	345.40 339.80
Oct	335.00	334.00	335.50 331.60
Dec	333.00	329.00	326.60
Mar	307.00	305.00	307.00 305.00
May	306.00		306.60 304.00
Aug	305.60	305.00	306.00 305.80
White	**Close**	**Previous**	**High/Low**
May	445.0	443.0	448.6 442.0
Aug	438.5	435.5	442.3 435.3
Oct	409.0	407.0	409.5 405.0
Dec	398.5	397.0	399.0 393.0
Mar	392.5	389.0	399.0 388.5
May	390.5		389.0
Aug	388.5		387.0

Turnover: Raw 8155 (3169) lots of 50 tonnes. White 2449 (1137)
Paris- White (FFr per tonne): May 2530, Aug 2510, Oct 2350, Dec 2285, Mar 2250, May 2250

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low
May	18.54	18.58	18.65 18.51
Jun	18.72	18.73	18.85 18.69
Jul	18.84	18.71	18.89 18.78
Aug	18.91		18.91 18.86
IPE Index	18.50	18.43	

Turnover: 10056 (8460)

GAS OIL – IPE $/tonne

	Latest	Previous	High/Low
Apr	164.00	163.00	165.50 163.00
May	160.25	159.00	161.00 159.00
Jun	160.00	158.50	161.00 158.50
Jul	162.00	160.50	162.00 160.00
Aug	163.50	162.50	163.50 162.25
Sep	165.00	164.25	165.50 165.25
Oct	167.00	165.50	167.00
Nov	170.50	168.00	170.50 168.00
Dec	170.25	168.50	170.25 167.00

Turnover 7658 (5780) lots of 100 tonnes

JUTE
April/May c and f Dundee BTC $570, BWC $600, BTD $550, BWD $560; c and f Antwerp BTC $550, BWC $580, BTD $535, BWD $525.

COTTON
Liverpool-Spot and shipment sales for the week ended March 30 amounted to 287 tonnes against 108 tonnes in the previous week. Trading remained on the low side. Few dealings occurred and these were mainly in American, West African, Israeli and Chinese growths.

COCOA – London FOX £/tonne

	Close	Previous	High/Low
May	796	781	807 774
Jul	814	792	820 786
Sep	829	806	835 798
Dec	850	826	854 821
Mar	871	842	873 841
May	886	859	888 857
Jul	902	876	902 875

Turnover: 12618 (7544) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Apr 2 938.24 (945.81) 10 day average for Apr 3 894.45 (883.41)

COFFEE – London FOX £/tonne

	Close	Previous	High/Low
May	697	710	707 680
Jul	661	677	672 657
Sep	667	684	678 665
Nov	683	696	690 679
Jan	697	708	699 696
Mar	708	718	710 708

turnover: 3704 (3482) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Apr 2: Comp. daily 74.02 (74.21). 15 day average 73.84 (73.92)

POTATOES – BFE £/tonne

	Close	Previous	High/Low
Apr	128.0	135.0	132.0 128.0
May	178.9	176.5	182.0 177.0
Nov	93.0	97.0	97.0
Apr	146.0	146.0	145.0

Turnover 324 (286) lots of 40 tonnes.

SOYABEAN MEAL – BFE £/tonne

	Close	Previous	High/Low
Aug	123.60	124.50	123.50
Oct	127.00		127.00 126.50

Turnover 45 (25) lots of 20 tonnes.

FREIGHT FUTURES – BFE $10/index point

	Close	Previous	High/Low
Apr	1445	1476	1464 1448
May	1435	1450	1440 1435
Jul	1280	1287	1285 1270
Oct	1380	1384	1382 1371
Jan	1385	1400	1400 1395
Jul	1225		1265
BFI	1513	1528	

Turnover 555 (566)

GRAINS – BFE £/tonne

Wheat	Close	Previous	High/Low
May	113.45	114.25	114.00 113.40
Jun	115.25	116.25	115.60 115.20
Sep	106.90	107.10	107.00
Nov	110.30	110.70	110.70 110.30
Jan	114.20	114.50	114.40 114.20
Mar	117.40	117.75	117.50 117.45
May	120.85	121.10	120.85
Barley	**Close**	**Previous**	**High/Low**
May	105.00	105.00	105.15 104.70
Sep	104.40	104.80	104.60 104.30
Nov	108.35	108.80	108.60 108.35
Jan	111.70		111.90 111.70
Mar	114.50	114.80	
May	116.15	116.35	

Turnover Wheat 220 (80). Barley 128 (146).
Turnover lots of 100 tonnes.

PIGS – BFE (Cash Settlement) p/kg

	Close	Previous	High/Low
Apr	123.8	124.0	123.7
Jun	121.5	121.6	
Aug	115.5	116.0	115.5
Oct	118.5	120.0	
Nov	118.5	119.0	

Turnover 45 (50) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 28,350 tonne
Cash	1591-3	1597-602		1591-2		
3 months	1584-5	1587-8	1590/1582	1585-6	1586-90	40,843 lots
Copper, Grade A (£ per tonne)						Ring turnover 40,575 tonne
Cash	1670-2	1700-2	1686/1683	1686-7		
3 months	1610-2	1630-1	1626/1610	1625-6	1620-1	73,[illegible] lots
Lead (£ per tonne)						Ring turnover 5,450 tonne
Cash	525-30	488-93	523/515	518-20		
3 months	485-6	476-7	488/473	490-1	498-500	10,651 lots
Nickel ($ per tonne)						Ring turnover 1,[illegible] tonne
Cash	9000-50	8000-50	9000	8975-9000		
3 months	[illegible]-60	8860-75	8950/8800	8825-50	8800-25	7,659 lots
Tin ($ per tonne)						Ring turnover 1,130 tonne
Cash	6696-8	6675-85	6698	6710-20		
3 months	6785-90	6750-60	6815/6665	6790-5	6810-5	6,826 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 12,500 tonne
Cash	1680-90	1590-600	1680/1660	1660-5		
3 months	1600-5	1540-5	1618/1541	1590-5	1615-6	15,746 lots

LME Closing £/$ rate:
SPOT: 1.6355 3 months: 1.6077 6 months: 1.5787 9 months: 1.5661

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	375-375½	229½-230
Opening	373½-374	228-228½
Morning fix	374.90	229.568
Afternoon fix	375.00	229.611
Day's high	378-379	
Day's low	373-373½	
Coins	**$ price**	**£ equivalent**
Mapleleaf	382-387	234-237
Britannia	382-387	234-237
US Eagle	382-387	234-237
Angel	382-387	234-237
Krugerrand	374-377	229-231
New Sov.	88¼-90¼	54-55½
Old Sov.	88¼-90¼	54-55½
Noble Plat	482.95-490.65	296.00-300.70
Silver fix	**p/fine oz**	**US cts equiv**
Spot	306.60	500.10
3 months	318.25	510.85
6 months	330.15	522.10
12 months	354.05	545.25

TRADED OPTIONS

Aluminium (99.7%)	Calls May	Calls July	Puts May	Puts July
Strike price $ tonne	May	July	May	July
1500	85	115	7	31
1600	31	60	42	74
1700	8	27	115	139
Copper (Grade A)	**Calls**		**Puts**	
2450	241	186	13	67
2600	128	108	48	135
2750	58	57	103	230
Coffee	**May**	**Jul**	**May**	**Jul**
650	45		9	
700	17	31	31	70
750	5	18	69	107
Cocoa	**May**	**Jul**	**May**	**Jul**
750	51	83	3	19
800	18	52	20	38
850	4	32	56	68
Brent Crude	**Jun**	**Jul**	**Jun**	**Jul**
1850	53	65	27	40
1900	23	44	50	
1950	10	24		

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Apr	375.3	369.8	378.5	374.8
May	377.4	372.1	0	0
Jun	380.1	374.5	382.4	378.5
Aug	384.8	379.0	387.9	383.5
Oct	389.7	383.8	391.5	389.0
Dec	394.4	388.5	396.0	393.5
Feb	398.2	393.3	400.0	400.0
Apr	403.8	397.9	0	0
Jun	408.8	402.9	408.5	408.5

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Apr	479.0	470.6	477.0	473.0
Jul	483.0	478.1	484.5	481.5
Oct	488.1	483.2	488.0	488.0
Jan	493.6	488.7	493.0	493.0
Apr	499.1	494.2	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Apr	500.7	494.6	500.0	499.0
May	503.8	497.8	504.5	500.0
Jun	507.9	501.8	0	0
Jul	512.1	506.0	512.5	509.0
Sep	520.7	514.5	520.5	519.0
Dec	532.2	525.9	533.0	528.5
Jan	535.7	529.4	0	0
Mar	543.7	537.3	542.4	540.5
May	551.7	545.3	552.0	550.0
Jul	559.9	553.5	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Apr	127.40	124.90	127.50	125.40
May	124.85	120.90	125.00	121.50
Jun	120.35	116.40	120.50	120.50
Jul	116.25	112.35	117.00	114.00
Aug	113.85	110.05	0	0
Sep	111.50	107.75	111.50	109.00
Oct	109.85	106.10	0	0
Nov	108.15	104.45	0	0
Dec	106.75	103.05	105.70	104.60
Jan	105.95	102.20	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
May	20.42	20.46	20.65	20.36
Jun	20.76	20.80	20.90	20.68
Jul	20.91	20.98	21.10	20.88
Aug	20.99	21.03	21.18	20.94
Sep	21.00	21.05	21.20	20.99
Oct	21.00	21.04	21.09	20.96
Nov	20.98	21.02	21.04	20.92
Dec	20.92	21.00	21.20	20.90
Jan	20.93	20.98	21.05	20.92

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
May	5570	5527	5595	5502
Jun	5466	5451	5490	5420
Jul	5455	5440	5470	5420
Oct	5716	5705	5720	5700
Nov	5780	5780	5780	5780
Dec	5865	5865	5865	5850
Jan	5900	5875	5900	5875

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
May	1215	1163	1230	1187
Jul	1227	1177	1244	1204
Sep	1239	1191	1254	1219
Dec	1252	1204	1268	1228
Mar	1272	1224	1281	1248
May	1291	1243	0	0
Jul	1300	1252	1303	1290

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
May	92.03	91.45	92.25	90.60
Jul	93.84	93.36	94.00	92.60
Sep	95.59	94.88	95.70	94.25
Dec	97.50	97.02	97.50	96.90
Mar	99.85	98.50	0	0
May	100.75	100.50	0	0
Jul	103.50	103.00	0	0
Sep	104.00	103.50	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	15.25	15.09	15.38	15.14
Jul	15.33	15.24	15.46	15.24
Oct	15.05	15.02	15.10	14.96
Mar	14.03	14.02	14.12	13.87
May	13.93	13.95	13.95	13.90
Jul	13.86	13.88	13.90	13.90

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
May	74.01	74.16	74.05	73.35
Jul	73.37	73.50	73.38	72.88
Oct	66.90	67.10	66.90	66.45
Dec	65.12	65.44	65.20	64.65
Mar	66.00	66.37	66.17	66.00
May	66.45	66.70	66.60	66.58
Jul	66.53	66.77	66.69	66.69

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	201.40	201.10	202.00	200.60
Jul	197.50	197.40	198.00	197.00
Sep	191.05	192.00	191.50	190.25
Nov	184.00	183.50	183.75	183.50
Jan	179.00	178.50	178.75	178.50
Mar	178.25	177.00	177.00	176.50
May	178.25	177.00	0	0
Jul	178.25	177.00	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Apr 3	Apr 2	mnth ago	yr ago
1916.5	1923.8	1849.5	2009.2

DOW JONES (Base: Dec. 31 1974 = 100)

	Apr 2	Mar 30	mnth ago	yr ago
Spot	132.35	131.90	130.16	134.98
Futures	132.42	132.44	131.94	136.00

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
May	586/0	585/0	587/4	581/4
Jul	599/4	598/0	600/6	595/0
Aug	604/4	602/4	605/4	600/0
Sep	604/4	603/0	605/6	600/4
Nov	611/4	609/4	612/6	606/4
Jan	622/2	619/4	623/0	617/4
Mar	632/4	629/4	633/0	628/0
May	639/4	636/6	639/4	635/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
May	21.67	21.77	21.89	21.58
Jul	21.98	21.87	21.99	21.68
Aug	21.86	21.76	21.96	21.62
Sep	21.62	21.57	21.65	21.45
Oct	21.30	21.32	21.30	21.20
Dec	21.25	21.27	21.25	21.10
Jan	21.10	21.16	21.15	21.05
Mar	21.05	21.10	21.10	21.05

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
May	169.3	169.9	170.5	168.5
Jul	173.7	174.1	174.7	172.7
Aug	175.7	176.2	176.3	174.9
Sep	177.7	178.2	178.8	177.0
Oct	179.8	180.1	180.5	178.7
Dec	183.1	183.5	183.7	182.0
Jan	184.8	185.8	184.8	184.0
Mar	190.7	191.0	0	0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
May	266/4	263/4	266/4	262/6
Jul	269/4	266/6	269/6	265/6
Sep	263/2	261/0	263/4	260/2
Dec	260/4	258/2	260/6	257/2
Mar	266/4	264/0	266/4	262/6
May	268/6	266/0	269/0	266/0
Jul	271/0	268/4	271/0	268/4

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
May	361/4	365/6	361/6	355/4
Jul	341/4	338/4	341/6	337/4
Sep	347/6	344/4	347/6	344/2
Dec	360/0	357/0	360/0	356/2
Mar	365/0	363/0	365/0	362/4
Mar	370/0	370/0	370/4	369/4

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Apr	78.60	78.60	78.90	78.52
Jun	73.10	73.35	73.70	73.07
Aug	72.27	72.65	72.82	72.25
Oct	73.95	74.25	74.45	73.90
Dec	74.15	74.52	74.60	74.10
Feb	74.30	74.52	74.65	74.30
Apr	74.60	74.50	74.60	0

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Apr	54.72	54.27	54.96	54.35
Jun	59.42	59.47	59.92	59.22
Jul	57.87	57.82	58.50	57.80
Aug	56.17	56.05	56.60	56.05
Oct	50.57	50.10	50.65	50.45
Dec	50.50	50.15	50.70	50.20
Feb	49.45	49.40	49.60	49.25
Apr	46.70	46.60	47.00	46.70

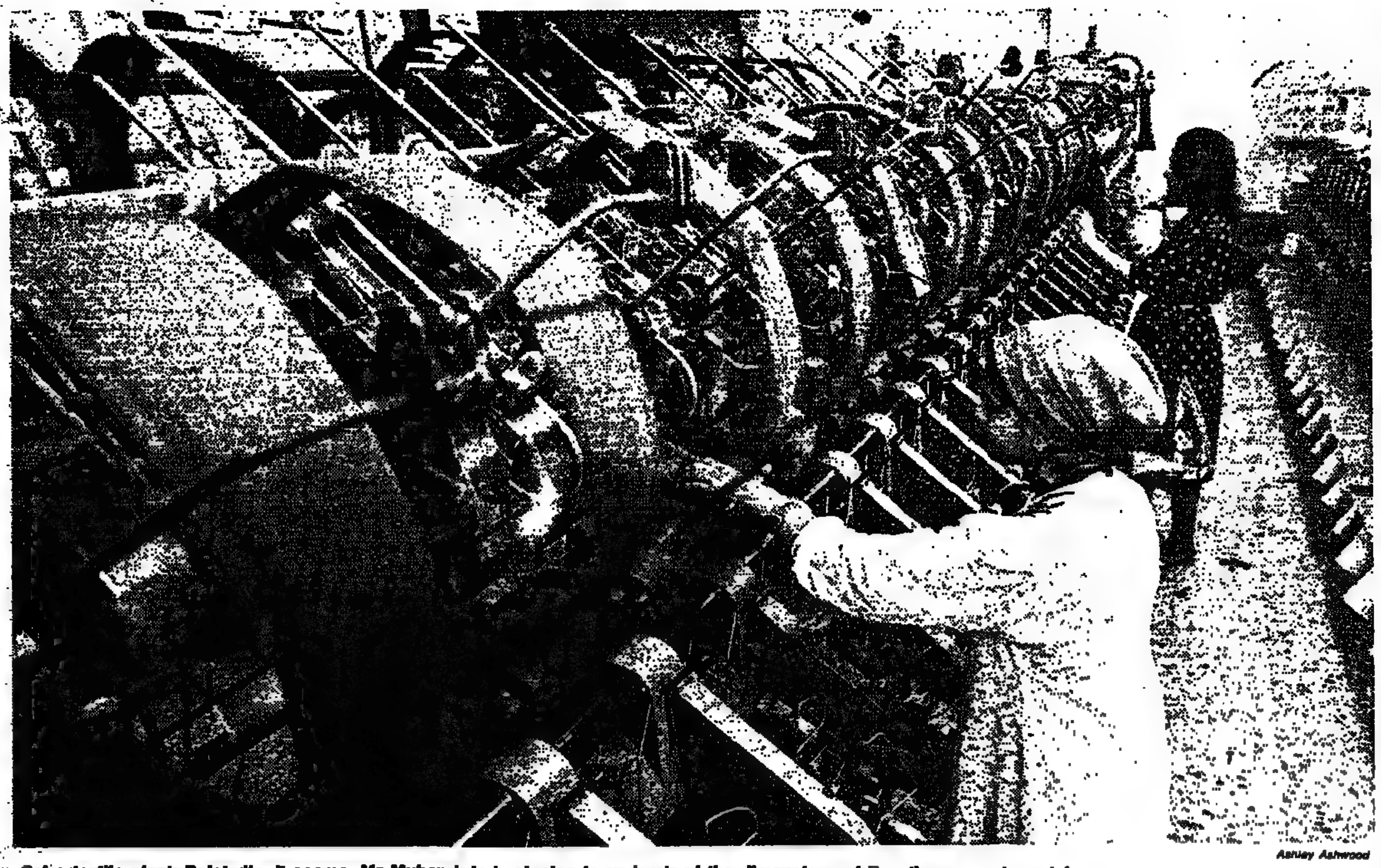
PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
May	55.00	55.57	56.75	54.90
Jul	55.57	56.10	57.25	55.50
Aug	54.40	54.65	55.60	54.32
Feb	59.40	59.30	60.15	59.20
Mar	59.60	59.40	59.60	59.20
May	59.70	59.65	60.10	59.70

FINANCIAL TIMES SURVEY

Egypt's President Hosni Mubarak has skilfully navigated his country back into the Arab mainstream for which he has earned the respect of Egyptians. Yet at home he has failed to steer the economy out of a prolonged recession. Challenges abound. **Tony Walker** reports

Stuck in an economic rut



Cairo textile plant: Belatedly, it seems, Mr Mubarak is beginning to understand the dimensions of Egypt's economic malaise

Ashley Ashwood

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EGYPT

PRESIDENT Hosni Mubarak of Egypt is edging cautiously towards the beginning of his second decade in power. The years have slipped by since the burly former air force pilot emerged uncertainly from the shadows to take control after the assassination of Anwar Sadat in 1981.

Now, the 61-year-old Mr Mubarak is a seasoned politician, a regional statesman and an international figure of some consequence. He has earned the respect – acclaim will have to await progress in dealing with Egypt's economic crisis – of most Egyptians.

Not least of his achievements has been to navigate his country back into the Arab mainstream without abandoning the peace treaty with Israel. Indeed, it could be said that Egypt has entered a new "golden age" in its foreign relations, at peace with all its neighbours, Arab and Jew.

The question, at the threshold of the 1990s, is whether the cautious former pilot will seek to convert some of the credit he has built up into a more determined assault on his country's manifest difficulties. Challenges abound.

Among Egypt's many daunting problems are its population pressures, lack of food security, unmanageable foreign debt of $50bn, overdependence on foreign aid, limited employment opportunities, unwieldy bureaucracy, chronically inefficient state sector and perhaps, most critically, a despondency among the young about an uncertain future.

While Mr Mubarak has every reason to be satisfied with his achievements on the regional and international stage, he has much less cause to be sanguine about his domestic policies. True, he has maintained an impressive degree of social stability in the face of a restless challenge from religious extremists; true, very substantial progress has been made in renovating Egypt's battered infrastructure. But Mr Mubarak's conspicuous lack of success in reversing Egypt's economic decline is a blemish against his Presidency.

Belatedly, it seems, he is beginning to understand the dimensions of Egypt's economic malaise. There are signs that the President is at last recognising that the hitherto stop-gap measures that have been employed are insufficient to arrest the decline.

But whether Mr Mubarak's innate caution will allow him to embrace the rigorous programme of structural reform being advocated by international lending institutions and an increasing number of influential Egyptians is a matter for continuing debate.

As Dr Saad el Din Ibrahim, a professor at the American University in Cairo and an acute local observer says of the President's approach: "He often takes one step to the right and one to the left, but never one big leap from the centre in any direction."

Mr Mubarak has made a virtue of eschewing any action that might draw a comparison with his flamboyant predecessor whose idiosyncratic rule brought Egypt to the brink of chaos.

The President's caution has been most obvious in his cabinet appointments. While Egypt has been blessed with a small coterie of energetic and effective ministers in certain areas, the performance of the government as a whole has invariably been disappointing.

And nowhere has this been more conspicuous than in the key economic ministries. Ministers of the Economy in Egypt tend to have short and unhappy lives in the Cabinet. Their influence on policy has been slight.

Even relatively minor economic decisions are taken by the President himself, relying on many sources of advise from inside and outside the government and the ruling National Democratic Party. The Prime Minister, whose status is something less than that of a Cabinet secretary in a system dominated by an all-powerful presidency, is merely one among many advisers, and by no means the most influential.

Needless to say, presidential diffidence in economic matters plus the absence of a strong economic team in the cabinet, means that decision making in this critical area proceeds, if at all, at a snail's pace. Time wasted over the years has not been to Egypt's advantage.

Egypt's protracted negotiations with the International Monetary Fund and the World Bank is merely one example of the slow pace of decision making. The World Bank is offering a generous package of structural adjustment loans that would help Egypt reform its debt-ridden and heavily subsidised economy, but until an IMF agreement is concluded these funds cannot be disbursed.

Burdened by fears of a repeat of the 1977 bread price riots, the President approaches any negotiation with the Fund, which is asking for exchange and interest rate reform and a reduction in the budget deficit, as if it were an encounter with the devil. While Egypt has every reason to tread warily – some 40 per cent of its population live on or below the poverty line – the IMF-World Bank package offers something of a lifeline.

In the meantime, there are signs that the country is sliding deeper into recession: the availability of foreign exchange is extremely limited; investment, with the notable exception of the tourism sector, is lagging; and hitherto fairly lenient creditors such as the French are taking a tougher approach.

The donor community, whose attention is straying to eastern Europe, in any case, is showing every indication of becoming increasingly impatient with Egypt's sluggish approach to reforming its Soviet-inspired centrally planned economy. Donors wonder whether time and effort could not be more effectively expended elsewhere.

These are danger signals for a country as dependent on foreign aid as Egypt. Egyptian policymakers understand the need to keep the attention of traditional backers. They acknowledge that competition for a share of the development cake will become stiffer, but all this has not necessarily encouraged a sense of urgency in pushing ahead with reforms.

Mr Mubarak faces other challenges, partly as a consequence of the changes sweeping eastern Europe. Demand in Egypt for an extension of democratic freedoms is likely to become more insistent. Free elections last year in Jordan, and plans for a similar process in Algeria, are adding to pressures on Egypt to follow suit.

The government faces a whole range of demands through the courts for the reconstitution of previously banned political parties, namely the Moslem Brothers (the Ikhwan is represented in parliament, but is still technically banned), the Communists and the Nasserites. Egypt's judiciary has exhibited an independent streak recently, and it would not be surprising if the courts were to clear the way for banned political groups to campaign openly.

Dr Saad el Din Ibrahim believes that underlying tensions in society caused by economic and social problems are exacerbated by the "deteriorating credibility" of democratic arrangements. "Nobody would deny Egypt is enjoying freedom of expression," he declared, "but very few would agree that Egypt enjoys freedom of political association."

Mr Mubarak, who is under pressure to call an early general election for the People's Assembly following a recent court ruling reversing several results in the 1987 poll, would be only too well aware that fresh elections would be much more carefully scrutinised in the light of developments in eastern Europe and elsewhere in the Arab world. It would be infinitely more difficult for the authorities to get away with ballot rigging on anything like the scale previously practised.

As he surveys the many knotty problems that he will be obliged to deal with in the next year or so, Mr Mubarak could be forgiven for wishing that his responsibilities began and ended with the conduct of diplomacy. The imminent return of the Arab League headquarters to Cairo is merely the latest in a string of crowning achievements for Mr Mubarak's "no frills" approach to dealing with Cairo's sometimes fractious neighbours.

With the Arab League in Cairo, Mr Mubarak will have many more opportunities to walk the regional stage. But his hard pressed people will certainly not regard this as a substitute for achievements on the domestic front.

Their sense of well-being will be governed by the price of bread, and foul and tamiya – the staples of the Egyptian diet – rather than whether their President was seen to be performing well on a broad stage.

Indeed, many of Egypt's problems today are blamed on the fact that Presidents Nasser and Sadat were consumed by their regional ambitions at the expense of their domestic responsibilities.

INDUSTRY

Strategies that stifle

EGYPT'S "open door" investment policy could be likened, by a cynical observer, to ushering a guest into the house and then tying him up and bundling him under the stairs.

For the past five years, Egypt has been grappling with the industrial problems which now face eastern Europe: how can private sector investment be encouraged and state enterprises commercialised, without creating mass unemployment, raising consumer prices and exhausting limited supplies of foreign exchange on a surge of imports?

Egypt's attempts to deal with the Socialist legacy of the Nasser era have been marked by caution – some would say prevarication – and have so far had only limited success.

Bankers and industrialists say that a few well-run companies in sectors such as food-processing and textiles are making profits and winning export orders, although progress in the domestic market has been slowed down by a severe recession.

But the dead hand of the state continues to stifle free enterprise by discriminating in favour of state industries and state-dominated joint ventures. Political pressures dictate that the need for over-staffing, low retail prices and import substitution takes precedence over profitability. Privatisation of Egypt's 135 large public sector companies has not occurred.

There is no shortage of good intentions. Dr Adel Gazarin, chairman of the Federation of Egyptian Industries, says that the immediate target is to increase the private sector's contribution to total manufacturing output to around 50 per cent from today's 35 per cent.

Official policy is to modernise the management of the public sector and end discrimination on inputs and raw materials. The energy inputs of state companies, for example, are heavily subsidised, and they pay a sixth of the price for electricity and a tenth of the price for fuel oil which the private sector pays.

The import substitution ideas of the past are being replaced by a policy of export-orientation, says Dr Gazarin. "There are definitely signs of success; industrial exports are picking up nicely, for example, in ready-made garments, cosmetics and leather goods."

Egypt's 1989 investment law has already reduced the bureaucracy for prospective investors, Dr Gazarin added. He expected the government to publish soon a "negative list" of products for which no new projects should be undertaken, leaving investors free to move as quickly as they like into any unlisted products.

Dr Gazarin acknowledged that the main concerns of investors are the unfair treatment of the private sector, government bureaucracy, and the labour laws which make it difficult to fire workers.

General Motors Egypt, for instance, cannot change its product mix from buses and small trucks without permission. Nor is it allowed to produce more than 18,200 vehicles a year.

The dead hand of the state continues to stifle free enterprise

Such measures are designed to protect state vehicle manufacturers, but Mr Mohammed Abdul-Razaq, the chairman, says that buyers are prepared to pay nearly double the price of a state-produced vehicle for a rival produced by GM because they know they will get a fuel-efficient, quality product and after-sales service. Even some government agencies buy GM, he says.

"We are restricted on the model mix," Mr Abdul-Razaq noted. "So if the consumer turns around tomorrow and wants to buy something different I can't cope with it quickly like I would in the UK or Germany, in the free market."

In spite of the pitfalls, and a severe recession which has cut GM Egypt's production to less than a third of its theoretical limit, the company – a joint venture of GM, Isuzu and Egyptian and other Arab investors which began production in 1985 – is profitable. Profits are repatriated and foreign exchange is available for the 60 per cent of inputs which need to be imported, although managers believe the situation might not be as easy if the economy were to pick up and production increased.

Industrialists seem to agree that Egyptian labour has been given a bad name by the failure of past economic policies which resulted in low wages and a lack of incentives. Lack of motivation, not the workforce itself, is said to be the main problem.

Mr Sami Tuqan, managing director of Egyptian Food Industries, which processed and packages Tang powdered soft drinks and Jello dessert in Egypt, says that his company pays a slight premium above the going rate and benefits from an excellent labour force. The main problem now is the recession, particularly for products which are regarded as luxuries in the local market: sales in the first three months of this year are down 60 per cent on 1989.

"We have made a reverse in strategy," he says. "Before, we used to rely on volume with reduced margins. Now we rely on margins with reduced volumes ... No dividends will be paid out for the next two years."

Frustration with the government's hesitant approach to reform is everywhere apparent, and sceptics say that the state's industrial exports are only holding up because of old bilateral trade agreements with the former Eastern Bloc countries.

"The government sector feels threatened by private sector control of capital," says Dr Khaled Fouad Sherif, assistant Professor of Management at the American University in Cairo, "and the private sector is frightened of government bureaucracy."

Victor Mallet

Tony Walker on moves aimed at reviving a sluggish economy

Privatisation as a panacea

PRIVATISATION is the new buzz-word in Egyptian government circles, but it is far from clear how deep is the official commitment to dismantling the heavily-subsidised state sector.

Ministers talk much more openly these days about the need to streamline the unwieldy public sector, sell off state-owned enterprises, privatise management, and break up inefficient public sector conglomerates and so on.

President Hosni Mubarak himself has spoken about the need to privatise. Privatisation has come to be seen as a desirable goal. In reality, however, the movement towards divestiture is still in its infancy. While the Cabinet has agreed to it in principle, it has by no means worked out the mechanics of how to deal with the break up of state enterprises.

Not least of the problems would be what to do with the thousands of surplus workers released by any concerted reforms of the unwieldy state sector. With Egypt deep in recession, the economy's ability to absorb additional labour is extremely limited.

The Cabinet has still not fully addressed the issue of how it might offer state enterprises for sale. The moribund local capital market could hardly be expected to provide a vehicle for divestiture.

But in spite of these and many other constraints, champions of privatisation within the Cabinet are determinedly pushing ahead with their proposals for a sell-off of state enterprises.

Dr Atef Ebeid, the Minister of Administrative Services, who has a broad co-ordinating role in the Cabinet, said that priorities were being established, and his colleagues were committed to a process of privatisation. "Never, since I have been in government," said Dr Ebeid, who entered the Ministry in 1984, "have I seen such support. The Cabinet is in 100 per cent agreement on this issue."

While it is true that there has been a sea-change in official Egyptian attitudes, due in part to events in the Eastern Bloc, it would also be surprising if cautious technocrats in the Cabinet had completely abandoned old positions. Dr Ebeid and his supporters, such as Dr Fouad Sultan, the Minister of Tourism, have a long struggle ahead of them.

Prudently, they are starting with the easy tasks first. Egypt has already begun a model programme of divestiture in four governorates to get rid of locally administered small enterprises, such as poultry farms, handicraft and furniture factories and plants for the manufacture of road-building materials. An initial list of 150 of these enterprises has been drawn up.

In most, if not all, cases employees are being given first option in the purchase of these small concerns. The United States Agency for International Development (USAID), through funds it provides under its Employees Stock Ownership Programme, is helping to facilitate this process.

The pilot scheme in the select four governorates is, according to all accounts, proving a success, and will be extended soon throughout all of Egypt's 17 governorates. Proceeds are being devoted to mopping up the debt in these small concerns, and, in some cases, providing funds for investment.

Dr Ebeid said that apart from the sale of assets in the governorates, the government was also proposing to:

■ Sell off hotels (some estimates put the value of government-owned hotels at about E£1bn), and real estate.

■ Withdraw public sector companies from joint ventures (the value of government investment in joint ventures is said to total about E£2bn).

■ Sell enterprises which the government has no business being involved in, like breweries, department stores, cinemas and the manufacture of consumer items such as soft drinks, biscuits and chocolate.

The Minister said that the Cabinet had also decided to liberalise the management of large public sector enterprises, such as those engaged in manufacturing textiles.

For the time being, this is about as far as the government plans to go with the larger public sector octopuses. No government would embark lightly on the task of attempting to break up the textile sector, which employs about 55 per cent of all workers in industry, for fear of repercussions throughout the economy.

But those supporting privatisation argue that there is plenty of scope for now in the less controversial areas, such as the consumer industries, agriculture and tourism.

Their aim is to achieve, before the end of the decade, a better balance between the public sector which accounts for about 70 per cent of GDP, and the private sector. They argue that the government cannot go on for much longer supporting dozens of small, medium and large loss-making state companies and utilities.

Between 1982-83 and 1987-88, the losses of Egypt's main economic authorities such as housing companies, and most important utilities (276 companies in all) totalled E£1.3bn. In the same period, the 117 public sector industrial enterprises supervised by the Ministry of Industry lost E£1.2bn.

But these figures only tell part of the story. They do not reveal the real cost of keeping the state sector afloat. State enterprises enjoy a whole panoply of entrenched benefits, such as cheap inputs, subsidised loans and tax credits, not available to the private sector.

Dr Khaled Fouad Sherif, assistant Professor of Management at the American University in Cairo, points out that "price controls on electricity, oil and gas yield cheap inputs for Egypt's state textile manufacturers, desperately competing against textile manufacturers in South-east Asia and Europe, giving them 26 per cent lower fuel costs than their international competitors.

"The list of government benefits and beneficiaries," he says, "lengthens year by year as the global competition intensifies. The benefits also become better hidden. Unlike direct government spending, the public cost of these loans, loan guarantees, and tax benefits is difficult to measure because most of these items do not show up in the state budget. Most do not require explicit government authorisation and appropriation.

"Public officials, therefore, find it easy to manipulate these programmes," he concluded, "in ways that create the appearance of lower public spending than is actually taking place and to avoid acknowledging the massive government assistance going to state industry."

The issue of privatisation is very much tied in with Egypt's discussions with the World Bank and the IMF. Egypt needs World Bank assistance in the form of structural adjustment loans if it is to enliven its sluggish local economy. Such a programme would in turn help to facilitate an active privatisation programme.

Government ministers, such as Dr Ebeid, would be the first to admit that Egypt has inherited a chronically unwieldy structure from the Nasser era. They also believe that if Egypt is to encourage new investment and pull itself out of recession, an accelerated process of privatisation and liberalisation is the answer.

The question, in a country where policy-makers appear to operate under a system burdened with more checks than balances, is whether the reformists will be given sufficient opportunity to test their proposals.

EXTERNAL DEBT 1989 ($m)

Total non-military debt	40,000
of which	
official development aid	10,000
non-bank trade claims	11,000
guaranteed bank claims	3,500
other bank claims	4,500
multilateral loans	7,000
other	4,000
Military debt	10,000
TOTAL EXTERNAL DEBT	50,000

Source: MEED

Balance of Payments ($m)

	FY* 1986-87	FY 1987-88	FY 1988-89
Trade balance	-5,688	-6,567	-7,533
Exports (fob)	2,264	3,274	2,546
of which			
Petroleum	906	1,563	1,066
Agriculture	467	[illegible]	372
Imports (cif)	-7,323	9,541	-10,079
of which			
Agriculture (est)	3,800	4,000	4,200
Service balance	778	1,941	1,836
Receipts	4,016	4,575	5,044
of which			
Suez Canal	1,148	1,269	1,307
Tourism	380	686	920
Investment	614	624	729
Payments	-3238	-2,634	-3,206
of which			
Interest payments	-1,094	-785	-1,016
Transfers	3,986	4,061	4,240
Governmental	974	698	710
Worker remittances	3,012	3,384	3,530
Current account balance	-924	-545	-1,467
Total external debt ($bn)	40	43	46

*Egyptian fiscal year is from July-June

Source: US embassy Economic Trends, Cairo

Victor Mallet examines the dilemmas facing the oil sector

Expectations on a downward curve

THE Egyptian oil industry is haunted by the image of two lines crossing on a graph. After 15 years of net oil exports and substantial foreign exchange earnings, Egypt is approaching the day when falling oil output will be overtaken by rising domestic consumption.

That day has already been postponed – at one time it was expected in the early 1990s – by the development of new fields, the suppression of local demand following the reduction of consumer fuel subsidies, and by the increasing use of natural gas instead of oil for electricity generation. But its eventual arrival, possibly within the decade, appears no less inevitable.

Egypt produces around 850,000 barrels of oil a day from its 4bn barrels of reserves, and new discoveries are not sufficient to make up for the depletion. Domestic use is of the order of 450,000 b/d, with the remainder funding the costs and profits of foreign companies or earning dollars for Egypt.

At its output peak in 1986, Egypt produced some 930,000 b/d, and its annual net earnings once reached nearly $3bn, compared with under $1bn in 1988-89.

"Oil is very, very important to Egypt but Egyptian oil is not very important to the world," says an oil industry executive.

Egypt is therefore a relatively minor player on the international markets. It is not a member of Opec but was readmitted last year to the Organisation of Arab Petroleum Exporting Countries (Oapec) following the thaw between Cairo and the rest of the Arab world.

Lack of effort is not to blame for declining output. Egypt has one of the highest concentrations in the world of foreign exploration companies and concession areas. In the 1980s more than 1,200 new wells entered production; a record 85 concession agreements were signed last year and another dozen may be awarded in 1990.

The problem is that the Gulf of Suez, which still produces nine-tenths of Egyptian oil, is a fairly mature and well-explored production zone, while the newly-developing Western Desert is not proving as bountiful as was once hoped, although its substantial gas reserves are a useful bonus.

Amoco, the foreign partner in Gupco (the Gulf of Suez Petroleum Company which produces more than half of Egypt's oil), has meanwhile won a concession in central Sinai, and the prospects there are so far unknown.

With most of the newly-discovered reservoirs in the Western Desert turning out to be small, Egypt faces the same kind of challenge as Oman: small deposits tend to mean high unit costs. As in Oman, there is scope for expanding the use of secondary recovery techniques to maximise output with water or gas injection and with pumping when pressure is low.

Gas exploration and development has expanded since the foreign companies were motivated by the two-year-old gas clause providing for cost-recovery and profit-sharing, instead of the old system which simply allocated incidental gas finds to the state.

In the past, gas has been produced mainly in the Nile delta and off the coast of Alexandria, as well as in the Gulf of Suez, but output from the Western Desert is increasing fast.

Shell is developing the Badr el-Din concession there at a cost of some $400m, and the gas will be piped to the Ameriya petrochemicals complex west of Alexandria. Egypt's petrochemicals industry is set to expand to increase the supply of products for the domestic market.

Current trends suggest that the gas itself will also be used only for the expanding home market. This presents a potential difficulty for the foreign oil companies: they are paid for gas development with oil from the Gulf of Suez, but there will come a day when there will be no net oil exports to pay for the exploitation of the gas.

Prices are fixed every two weeks, a system which has sometimes proved unable to cope with the demands of a volatile international oil market. It can leave Egypt with a glut on its hands, and the foreign oil companies with expensive oil to absorb into their sales networks.

Egypt is also anxious to promote its own state-owned oil service companies. This can inconvenience the exploration companies in their search for the best deal available. To make matters worse, the foreign companies are obliged to buy Egyptian pounds for their local costs at a rate of E£1.1 to the dollar, compared with the managed commercial floating rate of about E£2.6.

The real crunch, however, will only come when those two lines cross on the graph, net exports cease, and Egypt has to find dollars from elsewhere to pay for oil and gas production.

Victor Mallet on the political impact of Moslem radicalism

'Islamic solution' fails to deliver

EGYPT'S friends and neighbours and Egyptians themselves still focus much of their political attention on the remarkable rise of the Islamic tendency over the past decade.

Those who favour the stricter application of Islamic tenets have made great strides. But it is becoming the accepted wisdom among political analysts in Cairo that Moslem activists owe part of their success to the amorphous and woolly-minded nature of the establishment – in particular the ruling National Democratic Party – and the weakness of the liberal and leftist opposition groups.

Many middle-class Egyptians argue that the Islamic tendency reached a peak two or three years ago, and has suffered since then from the collapse of the Islamic investment funds (which left thousands of small savers in desperate financial straits), from the manifest difficulties of the religious regime in Tehran after the death of Ayatollah Khomeini, and from the excesses of young militants.

Academics suggest that 15-20 per cent of the population actively support the aims of the quasi-legal Moslem Brotherhood, the 60-year-old organisation which is represented by 35 members of parliament under an agreement with the enfeebled Socialist Labour and Liberal parties.

The well-organised and relatively moderate Brotherhood, however, can count on the tacit support of an overwhelmingly Moslem population, make use of the country's network of mosques, and rely on the apathy of its opponents.

The Brotherhood has established schools and clinics and successfully contested elections for student and professional groups across Egypt.

Extremism is by no means dead, even if the Moslem Brothers have been partially co-opted into the established political order. In March hundreds of young Moslems went on the rampage in the El-Minya governorate in Upper Egypt, burning and ransacking the property of the Christian community. They had been inflamed by the shadowy "Jamaat Islamiya" (Islamic groups) and by rumours of a Christian vice-ring using young Moslem virgins for pornographic videos.

President Mubarak

Although there is inevitably some overlap between the Brothers and the extremists, President Hosni Mubarak is credited by his more secular supporters with having implemented a clever divide-and-rule policy to expose the differences among Moslem fundamentalists.

Some Egyptians dismiss the extremists as "Islamic fascists", and they in turn have been known to refer contemptuously to the Brothers as "retired militants".

Driven underground, fundamentalists have the appearance of an ominous and united force but in the cold light of day the vague slogan "Islam is the solution" offers little comfort for a nation grappling with $50bn of foreign debt.

President Mubarak has presided over a period of foreign policy success and increasing freedom of speech in Egypt since he took power after the assassination of Anwar Sadat in 1981, but growth in political freedom has lagged.

Analysts such as Professor Ali Dessouki, director of the Centre for Political Studies at Cairo University, believe the government's lack of vision has made a substantial contribution to the achievements of the Islamic activists.

"Their real power," he says, "is the fragility of the Government, the impotence of the NDP, and the lack of any ideological content in our regime." Half of Egypt's population is under 20 and is growing up in a liberal, intellectual atmosphere, but, Dr Dessouki argues, "they are neither being satisfied materially, nor being given a dream."

If the Government can be said to lack charisma and to have adopted a bumbling policy of crisis-management, the ageing opposition party leaders have not done much better.

In the 1987 election the NDP won 346 of the 458 seats in the People's Assembly, the SLP/LP/Moslem Brotherhood alliance won 60, the New Wafd (which espouses liberal economic policies) took 35, and independents seven; a further 10 deputies are appointed by the President. The leftist Progressive Unionist Party won none.

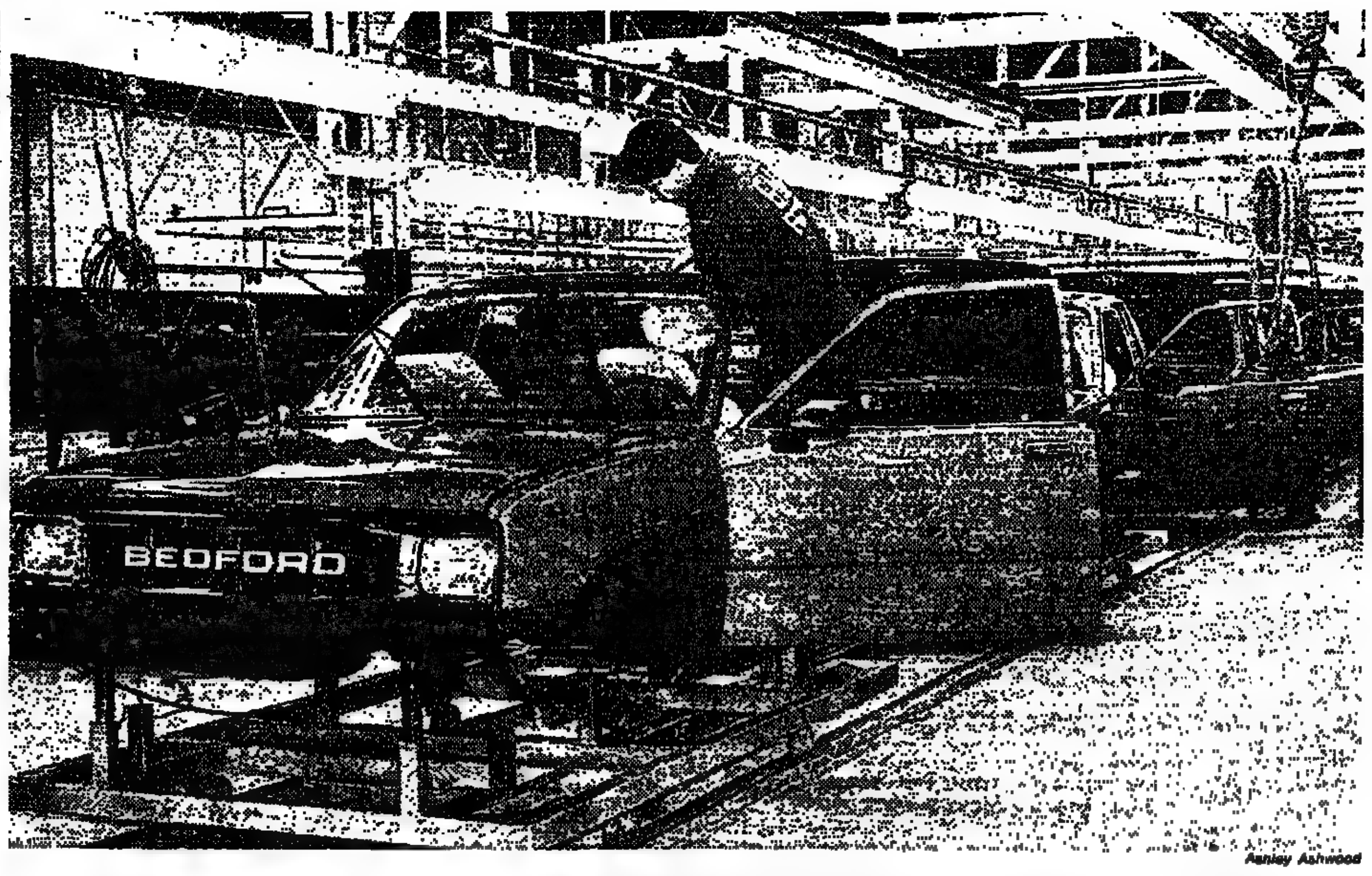
Egyptian elections, however, have traditionally been rigged in favour of the government, and turnout in the big cities is as low as 20 per cent.

The lack of faith in democratic institutions has been exacerbated by the NDP's decision to ignore court rulings which have sought to overturn official election results. The Administrative Court has twice ruled that 39 deputies elected in 1987 should be replaced by opposition candidates because of irregularities at the polls.

The verdict in a case challenging the constitutionality of the electoral law (a party must win eight per cent of the vote to win any seats, and that the votes of those which fail revert to the winning party) is due this month.

Egyptians are predicting that the Government could feel a moral obligation to call an election this year if the court rules against the electoral law, although Mr Mubarak is unlikely to risk a completely free and fair vote.

The imperturbable Mr Mubarak, it seems, will muddle through. But until Egypt is able to establish a tradition of democratic stability, its inhabitants will continue to fear that economic decline, Islamic extremism, and one of the country's periodic eruptions of violence will play into the hands of an ambitious and charismatic ideologue who has yet to reach the public eye.



Ashley Ashwood

Vehicle assembly plant at General Motors Egypt. The company claims the government's unfair treatment of the private sector is one of the main concerns of investors. General Motors, for instance, cannot change its product mix without permission

Chastened international banks are pulling out of Egypt

Sadat's open door closes

INTERNATIONAL banks, deterred by economic recession, Egyptian debt and a change of emphasis in the late 1980s away from dollar lending to Egyptian clients, have started to tiptoe out of Egypt.

Lloyds Bank is in the process of closing its branch office in Cairo; Bank of America has pulled out of its joint venture with Banque Misr, although its separate branch office will remain; and Chase Manhattan sold its share in a joint venture in 1987. Other foreign banks, which have cut staff over the past five years, may follow, leaving the field clear to the remaining joint ventures, foreign branches, local private institutions and the four state banks which dominate the market.

The pull-out from Egypt is attributed to a worldwide drawing in of horns by chastened international banks, and to 1987 changes in the Egyptian foreign exchange system.

Since the 1974 "open door" policy of the late President Anwar Sadat, foreign branches – excluded from Egyptian pound business – and joint ventures have been able to operate in Egypt and cater for a surge of imports and borrowing. Until May 1987 official sources of foreign exchange were allocated largely to the public sector, leaving the private sector to import goods and repay its dollar loans through the black market.

Then, under pressure from the International Monetary Fund, Egypt devalued its currency, cracked down on the black market, and set up a new foreign exchange pool system which allowed Egyptians to get access to dollars by paying in Egyptian pounds.

"Foreign banks basically existed because the black market existed," says one banker from a foreign branch. "The changes effectively channelled import business away from the foreign banks, mostly to the joint venture banks. We had good letter of credit volumes for the first five months of 1987, and then from May virtually nothing."

By that time the high volume and poor quality of both dollar and Egyptian pound loans were becoming a serious concern for the banks, and the concern persists today. Outstanding private sector hard currency debt is estimated at about $1bn, mostly owed to the joint ventures and foreign branches and much of it in arrears. The slowness of the legal system favours the debtor rather than the creditor.

Soundly managed banks were therefore cutting back their lending, particularly in dollars, well before 1987. Some bankers challenge the notion that there is not much that foreign branches can do to justify their existence in Cairo. Bank of America's branch, for example, is active in swapping Egyptian foreign currency debt for Egyptian pounds to be used as equity participation or for export promotion.

Other business opportunities for foreign branches include advisory services, performance bonds for foreign contractors, and some trade finance with the dollars which each bank is able to gather in from tourists or other sources.

But there is broad agreement in the banking community that Egypt, with about 100 banks, just has too many of them. In a recession-hit economy still dominated by the public sector, *the four state-owned banks* grab three quarters of the business. The healthiest banks are those which have cornered the few bright sectors of the economy and the richest sources of foreign exchange. The public sector National Bank of Egypt, for example, has a stranglehold on the state oil and gas sector, while the Egyptian American Bank (51 per cent Bank of Alexandria and 49 per cent American Express Bank) concentrates on tourism.

In these times of bad debts and patchy performance from Egyptian companies, the more successful financial institutions are anguished by the Government's insistence that the public sector banks should bail out some of their smaller brethren. Total bank deposits amount to some E£60bn, of which nearly half is in dollar accounts. Profit announcements by many banks are overshadowed by suspicions that bad debts have been inadequately provided for.

Egyptian banking and the economy has been affected by the collapse of the Islamic deposit-takers. The loss of public confidence in Islamic banking and the Government's *crackdown on the Islamic sector* in 1988 has redirected some business towards the commercial banks, but the crisis has discouraged many Egyptians working abroad from remitting their money home.

In the longer term, commercial banking in Egypt and the Middle East may benefit. Bankers in the Gulf states point delightedly to a ruling by the Mufti last year which condoned some modern banking practices and the use of interest rates; the essence of his argument is that the Koran condemns excessive usury rather than the payment or receipt of interest as such.

Thousands of small Egyptian investors, lured by extraordinarily high and unsustainable rates of return from the Islamic investment companies, have lost out in the crash. It is estimated that they lodged as much as E£5bn in more than 100 Islamic funds.

Last month the trial began of Mr Ahmed Tawfik Abdel-Fattah, chairman of the Rayan Islamic investment company. He is charged with defrauding investors of the equivalent of $716m, and government efforts to locate any money in *accounts abroad appear so far* to have been unsuccessful.

Victor Mallet

AGRICULTURE

Slow change of tack

LIKE A MAN struggling to free himself from a straitjacket, Egyptian agriculture in the 1990s faces the difficult task of escaping from the panoply of constraints under which it has been operating for the past decades.

The consequences of extensive government interference in all aspects of the production and marketing of agricultural output are plain. In the early 1970s, long after the introduction of the land reform programmes of the 1950s and 1960s, Egypt remained a net food exporter.

In the decade between the mid-1970s and mid-1980s, food self-sufficiency slipped to below 50 per cent. Part of the reason was the rise in population. Low official prices for food grains forced many farmers into stock-feed production. Today, the result is that more than one third of Egypt's 7m feddans (a feddan equals about one acre) of arable land has been given over to the cultivation of berseem clover as a winter crop.

Egypt, meanwhile, has become one of the world's biggest wheat importers after the Soviet Union and China. This year, its wheat imports are expected to exceed 7m tonnes of grain compared with a local production of about 3m.

The total value of imports of all agricultural commodities in 1988-89 exceeded $4.2bn out of a total import bill of about $10bn. As Egypt's population continues to rise at a conservatively estimated annual increase of 2.9 per cent there seems little prospect of a big improvement in its food self-sufficiency without a much speeded-up reform programme.

Dr Hassan Ketr, the under secretary in charge of Agricultural Economics and Statistics in the Ministry of Agriculture, estimates a growth in agricultural production of around 2.9 per cent – about equal to the rate of population increase.

He strongly argues that the liberalisation of agriculture, which began in 1985, is proceeding more or less as planned, and that the pace of reform is adequate. But western experts insist that much more could be done, if only the government would further ease controls.

The government, however, is reluctant to let go, for reasons that perhaps have more to do with national pride than anything else. At *Salheya*, for example, a dairy farm has been left idle because of the difficulties of finding stock and securing the necessary expertise to run it. A foreign company offered to join local private investors and farmers in the running of the dairy as a model for others, but the authorities have been haggling endlessly over the terms.

Agriculture, after being taken for granted for far too long, is becoming a key area of government concern for the 1990s as the realisation dawns that Egypt's lack of food security is a serious threat to social and political stability.

Egypt's foreign debt and its constant struggle to find the hard currency to fund imports of commodities has brought home the need to achieve the maximum benefit from its limited agricultural land. These concerns have also stimulated the drive to reclaim desert land for agriculture.

Here again, the government is under pressure to facilitate private investment, and several big schemes are being studied. But investors are finding that their proposals become entangled in red tape.

The authorities also appear to be torn between using land reclamation as a means of dealing with a social problem – involving the onerous task of finding jobs for the young unemployed who are being settled on small plots of reclaimed land – and putting more effort into encouraging larger and possibly more productive units.

The government target for the next 10 years is to reclaim 1.6m feddans. This ambitious programme, it is estimated, would create 5m additional jobs and house 800,000 families.

International lending institutions, such as the World Bank, remain sceptical about the economics of Egypt's land reclamation programme; but after years of resistance to lending for these schemes, a change of mind appears to be in process.

A factor encouraging a rethink of the *economics of* land reclamation is that energy costs have not risen as predicted in surveys conducted more than a decade ago. One of the difficulties cited in these assessments was the cost of pumping water to reclaimed land many metres above the Nile and its canal network.

Ministry of Agriculture officials are sensitive to criticism that Egypt is not moving fast enough in its liberalisation programme. Dr Ketr points out that the number of crops under "compulsory delivery" has been reduced from 14 to three; only cotton, sugar cane and half the rice crop are subject to mandatory acreage and procurement requirements, and plans are afoot to take rice off the quota list.

The authorities have also been increasing prices for "controlled" crops in an effort to bring them closer to world market levels, but again, it seems, movement is too slow.

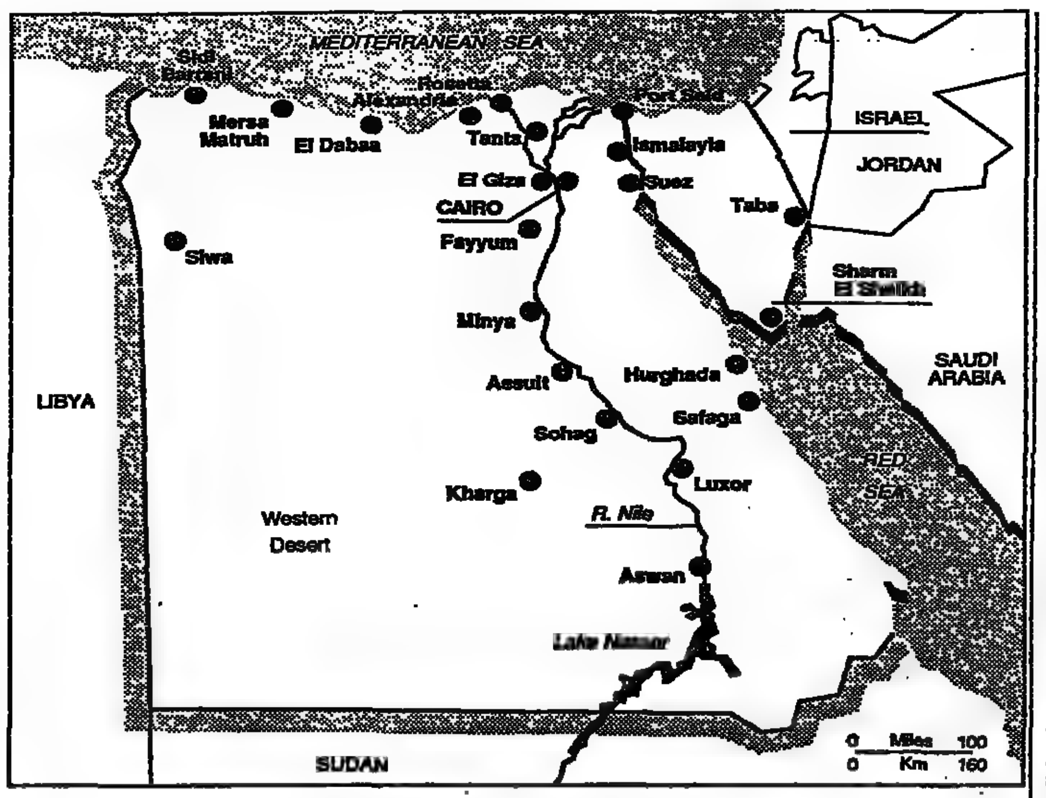
Cotton procurement prices remain at less than 50 per cent of that on the international market. Not surprisingly, production of Egypt's main export crop has dwindled throughout the 1980s, and with prices still pegged at an artificially low rate there seems little prospect of a turnaround.

The government is caught between wanting to encourage greater productivity at the same time as ensuring that the cost of subsidised cloth to the poor does not go through the roof. The big slump in cotton output is the clearest example of farmers responding negatively to government controls. Acreage sown with cotton is down in any case, but yields have plummeted. Farmers simply do not take care with the "government crop." Being commercial creatures, they would ask: where is the incentive?

Tony Walker

KEY FACTS

- Population: 52.7m (88); 54.1m (89)
- GDP per capita (current prices): E£1,049 (87-88); E£1,264 (88-89)
- GDP (current prices): E£55.3bn (87-88);E£68.4bn
- Urban Consumer price increase (%): 10 (87-88); 15 (88-89)
- Current exchange rates: (Mar '90) £=E£4.23; $=E£2.62



ELECTRICITY SECTOR

Cairo plugs power vacuum

THE POWER sector has every reason to be quietly satisfied with developments in the past 12 months. For the first time in almost a decade, Egypt has built up a generating reserve of about 15 per cent of peak demand.

Mr Said Issa, chairman of the Egyptian Electricity Authority, said that a reasonable balance between supply and demand was achieved late in 1989, and he saw no reason why it should not be maintained indefinitely.

"We hope," he said, "to sustain the technical reserve more or less at its present level, but of course increases in demand depend on the economic situation." Egypt's lingering recession has helped the power sector catch up.

Mr Issa estimates that demand is slowing down to about 6 per cent annually, after average increases of more than 10 per cent throughout the 1980s. At the same time, Egypt continues to push ahead with an ambitious programme of constructing new plants and refurbishing existing ones.

Much of the credit for achievements in the power sector is going to Mr Mohammed Maher Abaza, the voluble Minister of Electricity, who has been particularly successful in securing international funding for new projects.

"He's been a very effective minister," said a foreign expert who has closely observed Egypt's power sector for the past decade. "He has doggedly pursued his goal of ensuring that supply matches demand."

The fact that this has happened sooner than even the expansive Mr Abaza may have expected has a lot to do with the panic that accompanied predictions in 1987 and 1988, that the turbines in the Aswan High Dam may have to be shut down altogether because of the low water level in the dam itself.

As the Aswan high and low dams supply about 25 per cent of Egypt's electricity, dire forecasts of power shortages were almost the order of the day. As it happened, the drought in Egypt's African hinterland broke before the most gloomy predictions could be fulfilled.

But by then, Mr Abaza had already successfully used these concerns to secure the funding necessary for an emergency programme of power station construction. Agreements for the installation of no fewer than five additional 120MW and 110MW gas turbines in the Nile Delta and in Cairo itself were speedily concluded.

Egypt's installed capacity now totals about 10,600MW, of

The Minister of Electricity 'has doggedly pursued his goal of ensuring that supply matches demand'

which, according to a foreign expert, about 8,200MW is "dependable." Estimated peak load is 6,500MW.

Allied to the efforts to push ahead as fast possible with increasing local generating capacity, Egypt's Electricity Minister, is also championing regional networks. Egypt and Jordan are proceeding on a scheme to link their grids by way of an undersea cable across the Gulf of Aqaba.

Among larger projects on the drawing-board are schemes for a 1,200MW oil and gas-fired power station at Kurimat on the Nile, south of Cairo, and a 600MW coal-fired plant at Ayn Musa on the Sinai coast. Mr Abaza said he expected tenders to be called for both projects within the next year.

The United States Agency for International Development (USAID), the African Development Bank and the European Investment Bank have all indicated an interest in helping to finance the $850m-$900m Kurimat project. But all have tied offers of assistance to further electricity price increases.

Donors assume that Egypt would not have indicated an interest in pursuing detailed discussions on Kurimat if it did not intend to raise electricity prices this year.

Pricing levels still remain low by international standards. The current average price of electricity is about four piastres (1.5 cents) per/kWh compared with an economic cost of about 18 piastres (7 cents) per/kWh. Large public sector consumers, such as the aluminium smelter at Nag Hammadi in Upper Egypt, continue to be heavily subsidised.

These plants are charged as little as two piastres per/kWh compared with private-sector joint ventures organised under foreign investment Law 43 which are obliged to pay as much as 18 to 20 piastres per/kWh. Power analysts estimate that on average, Egyptians pay just 19 per cent of the economic cost for their electricity.

The World Bank and other donors have been pressing Egypt to bring domestic prices in line with the economic cost over seven years, but at the present rate of price increases this target seems unattainable.

The staggering cost of the electricity subsidy to Egypt exceeds E£6.2bn annually. The total subsidy for the energy sector, including subsidised petrol and natural gas, as well as electricity, is estimated at about E£11bn.

Tony Walker

TOURISM

Rising fortunes

TOURISM in Egypt is a bright spot in an otherwise lacklustre economic picture. The boom dates back to 1987, when the aggressive free enterprise policies of Dr Fouad Sultan, the Tourism Minister, began to pay dividends at the same time as fear of terrorism receded after a series of incidents in the mid-1980s.

Egypt's owes much of its success to the rapid development of resort hotels on the Red Sea coast at Hurghada and in the Sinai.

"We wanted to have leisure as well as culture," says Dr Sultan. "We intended to diversify the tourist products offered to the international markets. One of the characteristics of the industry had been non-repeat tourism."

The idea of adding beaches, coral reefs and scuba-diving to Egypt's cultural heritage has been welcomed by the banks and the private sector; tourists are likely to want to visit pyramids once in a lifetime, but they could return to the Red Sea year after year. Tax holidays and streamlined investment procedures have helped to double the number of rooms available over the past five years to 43,000, with a further 10,000 expected by the end of this year.

In the first two months of this year visitor arrivals rose by 31 per cent over 1989, and Dr Sultan is hoping for a total of 3m travellers and 25m visitor-nights in the whole of 1990. That would put the industry well ahead of the government's official target of 2.5m travellers for 1992. A particularly encouraging sign for the new policy is a 50 per cent increase in the average length of stay to about nine nights.

Dr Sultan estimates that total receipts from tourism amount to some $5bn a year, a vital contribution to Egypt's limited supplies of foreign exchange. There are indirect benefits as well. "Between 70 and 75 per cent of investments for hotels or tourist facilities used to leak to the outside world in the form of imports, with 25 per cent left for the local market," says Dr Sultan. "Now it's the other way round. The multiplier effect of such investments is significant."

While few would quibble with the benefits of the tourist boom so far, some critics believe that Egypt has over-invested in hotel capacity and related tourist facilities; others fear the environmental impact of rapid development on the Red Sea.

The government was recently obliged to impose a ban on the building of new Nile cruisers, whose numbers had swollen from 64 in 1986 to 120 today. A further 60 are under construction.

Locked in bureaucratic combat with his less enthusiastic colleagues, Dr Sultan has farmed out state-owned hotels to international and local private sector management and persuaded EgyptAir to renew its fleet and accept a greater degree of competition. His Herculean efforts to privatise the hotels completely have run into stiff opposition from the vested interests in the public sector, but the new capital injected by private leaseholders has boosted investment in cash-starved hotels in Cairo.

Dr Sultan believes that his competitive "open skies" policy has paid off handsomely – in spite of the misgivings of EgyptAir's management – with higher load factors and greater efficiency. The entire fleet has been sold to a US leasing company, and is being progressively replaced with new aircraft. Two Boeing 747s and five 767s have arrived and 16 Airbuses are on order.

Dr Sultan says that investor interest in tourism is so high that when Taba was handed over to Egypt by Israel – in compliance with international arbitration over a border dispute – he was able to raise the necessary $37m compensation money for the old Sonesta hotel in Taba in 24 hours as part of the capital for the development of the area.

Victor Mallet

LONDON STOCK EXCHANGE

A more confident tone to the market

A LONDON stock market smarting from Monday's set-back finally regained its confidence in late dealings yesterday, encouraged by the steadier performance overnight from Tokyo and a firm opening to the new Wall Street session.

Traders reported a "much better tone to the market," with the institutions willing, albeit very selective, buyers, and one leading trading house operating a modest buy programme. Equities hesitated at mid-morning and the FT-SE 100 Index dipped briefly into negative territory; however, it resumed its upward track when the June futures contract on the Footsie extended an

Account Dealing Dates

First Dealings:	Option Declarations:	Last Dealings:	Account Day:
Mar 26	Apr 5	Apr 6	Apr 17
Apr 9	Apr 26	Apr 27	May 8
Apr 30	May 10	May 11	May 21

"New time" dealings may take place from 9.00 am two business days earlier.

early premium over the underlying index, extending it to 34 points by the close of business. The Index closed a net 19.1 higher at 2,240.7. At Salomon Bros, Mr Jan Stephenson commented that the institutions were willing buyers below 2,200 provided sterling remained steady.

However, yesterday's recovery was somewhat fragile and reflected technical internal market factors, as well as wider investment attitudes. Many trading firms which had sold stock during Monday's shakeout found themselves obliged to buy shares yesterday to cover these positions. With traders' books still tight, share prices were forced upwards. Seaq trading volume at 553.1m shares compared with 515.2m in the previous trading session.

Among the best performing sectors were the property stocks, which have recently begun to rally determinedly from the prolonged setback caused by the gloomy interest rate outlook in the UK. Properties were helped by recent bid developments, in particular the move by SPP, the largest of the Scandinavian life assurers, to acquire London & Edinburgh Trust.

A return of takeover reports provided a further sign of the market's recovery of confidence. The favourite yesterday was Cadbury Schweppes, which returned to the fore as consumer brand names attracted renewed attention.

The market remained very nervous, however, particularly during the morning when there were fears that Far Eastern holders might be sellers of UK stocks, and also later in the day when Middle Eastern interests were said to be selling sterling to buy gold.

There was a good deal of uncertainty ahead of Wall Street's opening, although in the event New York was showing a gain of 23 Dow Industrial points when London closed. Traders also assumed that the Tokyo stockmarket could yet provide further shocks for other world financial markets.

The domestic background continued to give cause for caution as the political reactions developed to last weekend's rioting in London at demonstrations against changes in local government taxation.

Analysts question Mecca

MECCA Leisure's year-end results exceeded analysts' worst fears and led them to cut around a third from their profits forecasts for the current year. The company reported trebled full year profits at £51.1m, but researchers homed in on the company's level of debt, which has increased by £100m since the year end from a level that already worried them. The ratio of debt to shareholders' funds is now standing at 140 per cent.

Ms Julie Feaver, of County NatWest, said: "Mecca is now a forced seller of businesses. They have said they want to dispose of £250m-worth, which raises the questions of whether they can achieve this and whether they will have to sell operations they would rather keep."

Mr Bruce Jones of Kitcat & Aitken commented: "This is yet another highly disappointing leisure company in the context of a leisure sector as out of favour as I have known it in a decade." He added that it was hard to see any profits progress this year "which raises the question of why they bought Pleasurama [in October 1988 for £750m]."

The shares had fallen sharply ahead of the announcement and yesterday dropped another 33 to 77p in volume of 21m shares, more than twice the heaviest figure over the last two years. They were trading at more than 140p in mid-March. Many analysts had already reduced their forecasts as the shares fell last month. Yesterday, Kitcat further cut its current year estimate of profits from £110m to £84m, County from £113m to £85m and BZW, the company's broker, from £112m to £80m.

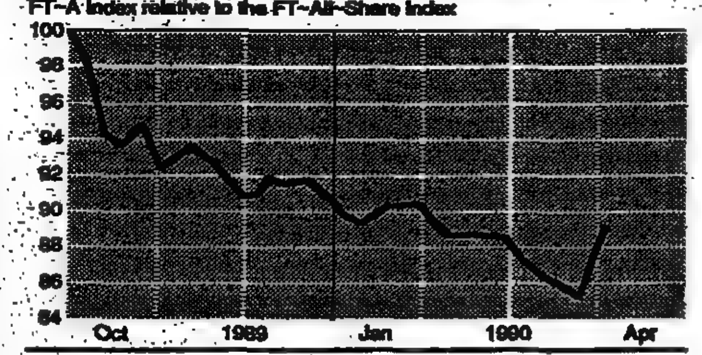
STC prominent

STC was among the best performers as the market absorbed a deluge of stories, most of which centred on the possibility of a bid for the electronics group. A feature was the ever-present story that Northern Telecom, the Canadian group, was about to sell its 27 per cent holding in STC.

The shares began to edge higher when a series of reasonably large lines of stock moved through the Seaq system, representing what dealers said was programme trade activity. But demand for the shares continued to build up and eventually drove the price up to 288p for a net rise of 18; turnover amounted to 4.1m shares, well up on normal levels of activity.

Property

FT-A Index relative to the FT-All-Share Index



The market was flooded with names of potential bidders or stake-builders.

So the market reports went, the Northern Telecom stake is going to be passed on to any of the following: ITT, the US group, Nippon Telegraph and Telephone or Fujitsu, of Japan, or even Siemens, of West Germany. The latter in alliance with GEC, took over Plessey, another of the UK's large electronics/telecoms companies, only last year.

A number of sector specialists, however, said the rise in STC had more than a suspicion of a market squeeze about it. STC shares were sold hard last week after a downgrade by one of the big UK investment houses. There was considerable traded options activity behind the share price advance yesterday.

Reshaping hints

Renewed hints of attempts to arrange financing for a reshaping of its controversial restructuring plans inspired renewed support for British Land shares. There has been no news for some time on the original plan, which ran into opposition from Land's institutional shareholders.

The board of British Land, under its chairman, Mr John Ritblat, has indicated that it is up to the shareholders to bring forward any revision of the original restructuring package. Mr Ritblat said yesterday that all options were still under review.

With the property sector now responding to bid activity, traders hope that the institutional shareholders will seize the initiative at British Land. The shares moved up by 32 to 372p, but turnover was unexciting at just under 1m shares.

The cautious recovery in property shares was taken a stage further (see chart) as investors hoped that the recent developments in the sector would encourage the revival of institutional interest which has begun to show itself. While any reduction in UK interest rates is still seen as being some way off, the sector has begun to rally on the back of renewed bid interest and better corporate results.

The latest spur has been the £500m takeover of London & Edinburgh Trust (LET) by SPP, the largest life assurer in Scandinavia but not the only one with potential bid acquisition interests in the UK property area. Also helping investor confidence has been the increased offer from Pall Mall for Laing Properties, as well as the property revaluation from Laing.

In the near term, traders hope that the institutional cash receipts from the LET deal will be ploughed back into a property sector still cheap by historic standards.

Cash was moving yesterday into such blue chip property stocks as MEPC, 9 up at 505p, and Land Securities, 9 better at 496p, both of which were featured recommendations in the latest financial review from UBS Phillips & Drew.

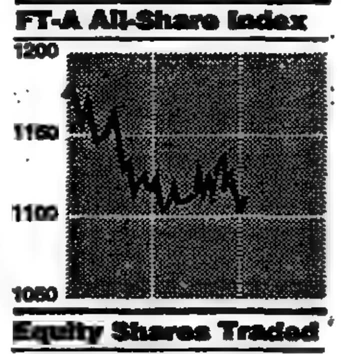
Reckitt and Colman continued the previous day's good form by climbing another 29 to 1159p. BZW is today mailing out a bullish assessment of the company's acquisition earlier in the year of Boyle-Midway, the home products division of American Home Products. Reckitt, a company strong on household brand names, also benefited from the sale on Monday of Marmite and other brands by Smithkline Beecham, another 12 higher at 502p.

The emphasis on brands did Cadbury-Schweppes no harm, but dealers said that yesterday's rise of 13 to 332p was also a result of the bid speculation that swept the market. Hopes that the company would have to pay less than expected for the soft drinks activities of Source Perrier also played a part.

Reuters reached another record high in anticipation of presentations to analysts last night in London and today in New York. The shares climbed 36 to 1143p.

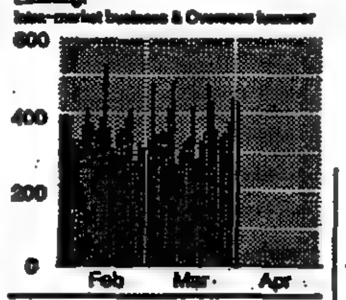
Lloyds Bank was the busiest stock in an active banks sector with turnover reaching 12m, the highest for some considerable time. Opening slightly firmer at 300p, the shares

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million) Excluding: Intra-market business & Overseas turnover



wilted in the face of some fierce selling which continued throughout a tense session, according to one dealer. By the close, Lloyds shares were 7 off at 292p.

One of the leading UK securities houses was said to have sold the stock hard, and in size, all day. Lloyds, along with Barclays and NatWest, were downgraded by County NatWest on Monday and talk in the market was that a similar move had been made by other firms. Vague talk of a bid for Standard Chartered was also mentioned.

A handful of large individual trades, most notably a placing of 2.3m shares, sparked off heavy trading in Royal Bank of Scotland, which eventually ended a net 6 higher at 188p with turnover reaching 7.3m. Standard Chartered moved smoothly ahead to close 7 higher at 548p, after 549p, and was mentioned as one of the big bid possibilities.

Sun Life raced ahead to close 35 higher at 1293p as UAP, the French insurer, was thought to have bought more stock in the company to add to its last revealed 25.2 per cent.

Oil and gas stocks lagged behind the rest of the market but continued to attract some keen two-way interest. British Gas, in particular, suffered from a number of bearish stories, most notably one that it has won the bidding to acquire the 20 per cent stake in the Huffington liquefied natural gas refinery in Indonesia - and had paid over the odds for the privilege. Gas shares dipped 2¼ to 208p on turnover of 9m.

BP remained active with another 7.2m shares traded, compared with Monday's 20m and last Friday's 11m. Observers said there was more international selling of the stock, especially from the US, where BP is rumoured to be considering a big acquisition. There were also hints that BP needs to spend considerable amounts of money "beefing up the transatlantic pipeline (taps) which is suffering badly from the effects of rust," one specialist noted.

A 47 per cent rise in interim profits, to £7.56m, from TIP Europe had been more than discounted and the shares slipped 16 to 175p.

The latest tunnelling report from Eurotunnel pushed the shares 33 better to 578p. Mr Alastair Morton, the chief executive, said that "a mile of tunnelling a week is now regularly achievable."

Water stocks were again affected by political worries and ended with losses across the board, although they were generally of a minor nature.

European Leisure continued to weaken following its bid on Monday for Midsummer Leisure. The shares slipped 6¼ to 68½p.

Fuelling persistent small selling of the individual stocks was a note, issued by Mr Robert Miller-Bakewell, of County NatWest, which urged investors to sell the sector constituents. He picked out Severn Trent, unchanged at 136p yesterday, as potentially the poorest performer in the sector which, he said, remained a sell.

Political worries, he added, were still in place and the local government elections, scheduled for May, were just around the corner. Northumbrian Water lost 2 to 167p and Thames 2½ to 144p.

Automotive and electric component group Lex Service attracted increased action on market hints of an impending recommendation and of presentations to institutional investors. The shares rallied further from last week's low point of the year to close 9 up at 255p.

Mr Gavin Launder of Kleinwort Benson will issue a buy note later this week saying that "recent bids in the area highlight the extent of the undervaluation of Lex Service shares." UBS Phillips & Drew, meanwhile, confirmed a post-results presentation yesterday to institutional operators who were invited to meet directors of the group.

Speculation that Holliday Chemical may be adding to its 5 per cent holding accompanied demand for Yorkshire Chemical, which rose 9 to 396p. Scottish Amicable Investment holds nearly 6 per cent of the company.

Shares of beleaguered Astra Holdings, the ammunitions manufacturer, twitched nervously on news of the Ministry of Defence probe into the company's affairs. Sentiment was also affected by the announcement of 350 job losses at the Grantham plant and the shares ended 3 down at 17p.

Ipeco Holdings, however, jumped 8 to 76p in reply to more than trebled annual profits together with a confident view of current year prospects.

■ Other Market statistics, including the FT-Actuaries share index, Page 25

FINANCIAL TIMES STOCK INDICES

	Apr 3	Apr 2	Mar 30	Mar 29	Mar 28	Year Ago	1990 High	1990 Low	Since Compilation High	Since Compilation Low
Government Secs	76.82	76.88	75.65	76.45	76.31	87.10	84.20 (2/1)	75.91 (21/3)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	86.02	86.06	85.79	85.97	85.55	97.82	92.91 (8/1)	85.12 (23/3)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1761.3	1748.1	1766.7	1781.2	1793.0	[illegible]	1968.3 (3/1)	1745.7 (6/3)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	256.5	263.4	274.7	272.3	274.2	193.9	378.5 (8/2)	253.4 (2/4)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2240.7	2221.6	2247.9	2263.0	2276.0	2082.8	2463.7 (3/1)	2216.0 (5/3)	2463.7 (3/1/90)	986.9 (23/7/84)
Ord. Div. Yield	5.07	5.12	5.08	5.01	4.98	4.49				
Earning Yld %(full)	12.07	12.16	11.97	11.87	11.78	10.65				
P/E Ratio(Net)(*)	10.02	9.92	10.11	10.20	10.28	11.13				
SEAQ Bargns 4.45pm	35,284	31,616	28,883	28,000	25,366	43,563				
Equity Turnover(£m)†	-	836.57	738.45	869.59	645.35	1277.70				
Equity Bargains†	-	32,430	23,457	29,147	30,100	52,224				
Shares Traded (ml)†	-	432.5	443.0	381.9	352.5	507.8				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83. [illegible]

Ordinary Share Index, Hourly changes Day's High 1763.5 Day's Low 1745.4

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1758.3	1752.7	1749.5	1745.4	1747.1	1752.1	1758.5	1761.8	1759.9

FT-SE, Hourly changes Day's High 2241.7 Day's Low 2218.0

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2232.4	2228.4	2225.7	2218.2	2221.2	2228.1	2234.6	2239.3	2238.5

GILT EDGED ACTIVITY

Indices*	Apr 2	Mar 30
Gilt Edged Bargains	77.6	83.4
5 – Day average	83.8	85.0

*SE Activity 1974. †Excluding intra-market business & Overseas turnover. Calculation of the FT Indices of daily Equity Bargains and Equity Value and of the five-day averages of Equity Bargains and Equity Value, was discontinued on July 31. Closing values for July 28 available on request.

London report and latest Share Index: Tel. 0898 123001.

TRADING VOLUME IN MAJOR STOCKS

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
ADT	2,700	186		Courtaulds	850	[illegible]	+1	MEPC	1,600	505	+10	Slough Ests	1,000	307	+11
ASDA Group	6,500	104		Dalgety	573	[illegible]	+2	Manpower	380	88		Smith (W H) A	114	290	+1
Abbey National	1,600	188		Dixons	[illegible]	122		Marks & Spencer	2,000	196½	+½	Smith & Nephew	2,900	123	+4½
Allied-Lyons	2,300	437	+1	ECC Group	668	359	+3	[illegible]	1,000	192	+3	SmKl Beecham	1,400	502	+12
Amstrad	3,400	76		Enterprise Oil	849	610	+2	Mecca Leisure	21,000	77	−33	[illegible]	[illegible]	[illegible]	[illegible]
Anglian Water	420	180	−½	FKI	1,500	69	+3	Midland Bank	580	335	+3	Smiths Inds.	662	238	−1
Argyll Group	2,800	204	+2	[illegible]	7,000	44	+½	NatWest Bank	1,400	[illegible]	[illegible]	South West Water	445	161	−1
Ass. Brit. Foods	174	388	+3	Fisons	1,200	342	+7	Next	2,600	90		Southern Water	841	139	−1
BAA	2,100	405	+9	Gen. Accident	652	1084	+9	North West Water	963	157	−½	[illegible]	1,200	[illegible]	+7
BAT Inds.	8,600	782	+8	General Elect.	8,550	197	+1	Northern Foods	147	[illegible]	+2	[illegible]	587	115	−1
BET	2,100	227	+2	Glaxo	1,230	785	+22	[illegible]	120	167	−2	[illegible]	1,600	268	−2
[illegible]															

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 4.30 pm.

NEW HIGHS AND LOWS FOR 1990

NEW HIGHS (16). CHEMICALS (1) ELECTRICALS (2) ENGINEERING (1) FOODS (1) HOTELS (1) INDUSTRIALS (4) Barry Wehmiller, Dolphin Pack., Ipeco Hldgs., Reuters, MOTORS (1) PAPERS (1) PROPERTY (2) TRUSTS (1). NEW LOWS (182). AMERICANS (3) CANADIANS (1) BANKS (3) BREWERS (3) BUILDINGS (12) CHEMICALS (3) STORES (7) ELECTRICALS (8) ENGINEERING (8) FOODS (5) INDUSTRIALS (30) Arley, [illegible], Brierley, Caledon, Cornwell Parker "A", Cosalt, Courtney Pope, Delaney, Erskine Hse, 7¾pc Pf., Fitzwilton, Grampian, Hampson Inds., Hawthorn Leslie, Hunting, Johnson Matthey, Lilleshall, Magnolia, Medprint, Metsec, Norton, Optical & Medical Intl., [illegible] Sec., [illegible], Securicor, Do. "A" N/V, Security Services, Shiloh, Spectrum, Southern Business, Storngard, Sykes-Pickavant, Tamaris 8½pc Cm. Pf., Tribble Harris, Willis, Wyndham, YRM, LEISURE (9) MOTORS (1) NEWSPAPERS (2) PAPERS (7) PROPERTY (10) TEXTILES (8) TRANSPORT (10) TRUSTS (17) WATER (1) OILS (3) OVERSEAS TRADERS (2) PLANTATIONS (1) MINES (10) THIRD MARKET (4).

APPOINTMENTS

BOC Group deputy chairman

■ Mr Patrick J.J. Rich has been appointed one of the two executive deputy chairman of the BOC GROUP. The board decided to strengthen the executive group at its world headquarters as a consequence of the retirement of two executive directors this year, and the reassignment of a third as president and chief executive officer of BOC Health Care in the US.

Mr Rich, a non-executive director of BOC since 1983, was a director of Alcan Aluminium and chief executive of Alcan Aluminium SA until 1986. He is also a former managing director and chief executive officer of Societe Generale de Surveillance Holding.

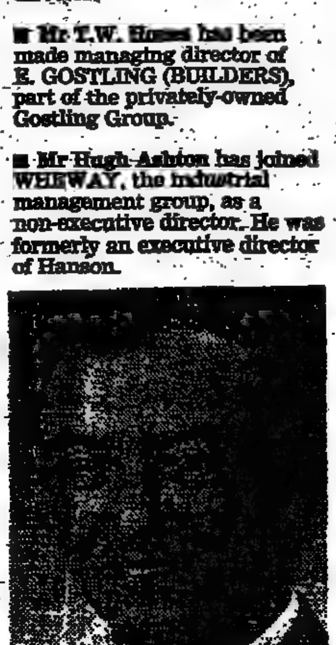
■ Professor Gordon Edge, visiting professor at Brunel University, and chief executive of Scientific Generics, will become a non-executive director of PEEK on April 9.

■ Mr J.J. Tigue and Mr J.A. Findlay have been appointed to the board of FOREIGN & COLONIAL MANAGEMENT.

■ Mr Geoff Henry has been made managing director of MERCHANT NAVY PENSIONS ADMINISTRATION GROUP. Mr Nigel Barton has become finance director, Mr Bernard Salsbury administration director and Mr Brian Shearing development and marketing director.

■ Mr T.W. Hoses has been made managing director of E. GOSTLING (BUILDERS), part of the privately-owned Gostling Group.

■ Mr Hugh Ashton has joined WHEWAY, the industrial management group, as a non-executive director. He was formerly an executive director of Hanson.



■ Mr A.M. Carus (above) has been appointed finance director of EAST MIDLANDS ELECTRICITY. He was previously finance director-designate.

■ BROADCAST COMMUNICATIONS, an independant television production company, has appointed Mr Patrick Harpur as managing director of Broadcast Communications (Productions), the company responsible for the management of all the group television operations.

■ Dr Maurice Dixson is to join the GENERAL ELECTRIC CO on May 1 as supervisory managing director of the elctronic metrology and components groups. He is managing director of the British Aerospace Commercial Aircraft Co.

■ LOWNDES QUEENSWAY, the heavily-indebted furniture and carpet retailer, has added two executive directors to its board. Mr Malcolm Fallen has been appointed group corporate finance director. He was formerly group corporate finance manager, and he deals with the group's banks and with cash management. Mr Anthony Stanworth is made group personnel director. This brings the size of the board up to six, of which four are executives.

■ Mr A.J. Tennant, chairman of Guinness, has been appointed a non-executive director of BANQUE NATIONALE DE PARIS, UK subsidiary of the BNP Group.

■ Mr Allen Richens, financial director of EMPIRE STORES GROUP for the last seven years, is to leave the company in July. His successor will be Mr Robert Jones, who is currently at Hi-Tech Sports.

CITICORP has appointed Mr Alan Pendleton as managing director of Citicorp Investment Management. He was chief investment officer with Chemical Bank.

■ BRITISH ALCAN ALUMINIUM has merged the companies in its speciality and aerospace division into a single new entity, Alcan Speciality and Aerospace. The divisional managing director is Mr John Hawkins and other directors include Mr Geoff Batt (finance), Mr Pierre Brunet (Superform), Mr John Cleary (aerospace), Mr J. William Crew (plate), Mr Tony Ponting (speciality extrusions and tubes) and Dr Tony Syme (Duralcote).

■ TRANSLINK has appointed Mr Tim Line as a director in its London office. He was a director of Hambros Bank specialising in cross-border mergers and acquisitions.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1990 High	1990 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
99¾	96½	Treas. 3pc 1990	99¼xd	.....	3.02	11.85
98⅞	97⅞	Treas 8¼pc 1987-90‡‡	98⅞	.....	8.35	14.14
98⅝	97⅞	Treas. 8pc Cv 1990 ‡‡	98⅞	.....	8.14	14.21
97⅞	96½	Treas. 10pcCv 1990	97⅜xd	.....	10.25	14.78
94⅞	93⅞	Exch 2½pc 1990	94⅞	.....	2.64	11.50
98⅛	97⅞	Treas 11½pc 1991	97⅞	.....	12.00	14.70
93⅞	92⅞	Funding 5¾pc '87-91‡‡	93⅛xd	.....	6.16	13.08
91	89⅞	Treas 3pc 1991	90⅞	.....	3.30	12.06
96⅛	94⅞	Treas 10pc Cv '91 ‡‡	95⅞	.....	10.49	14.12
97⅞	94⅞	Exch. 11pc 1991	95⅞xd	.....	11.51	14.28
92⅞	90⅞	Treas. 8pc 1991	91⅞	.....	8.78	14.12
101⅞	97⅞	Treas 12¾pc 1992‡‡	98⅞	+⅛	13.00	13.97
96	92⅞	Treas 10pc 1992	93⅞	+⅛	10.68	13.95
91⅞	89⅞	Treas. 8pc 1992 ‡‡	89⅞xd	+⅛	8.90	13.91
97⅞	93⅞	Treas 10½pc Cv 1992‡‡	94⅞	+⅛	11.15	13.81
84⅞	82⅞	Treas. 3pc 1992	83⅞	.....	3.60	11.91
100⅞	96⅞	Exch. 12¼pc '92	96⅞	+⅛	12.63	13.75
104	98⅞	Exch 13½pc 1992	99⅞	+⅛	13.55	13.62
91⅞	86⅞	Treas 8¾pc 1993	87⅞	+⅛	9.37	13.39
96⅞	90⅞	Treas 10pc 1993‡‡	91⅞xd	+⅛	10.87	13.30
103⅞	96⅞	Treas 12½pc 1993‡‡	97⅞	+⅛	12.77	13.32
85⅞	82⅞	Funding 6pc 1993‡‡	82⅞	.....	7.24	12.24
107⅞	100⅞	Treas 13¾pc 1993‡‡	101⅞	+⅛	13.53	13.14
91	85⅞	Treas. 8½pc 1994	86⅞	+⅛	9.84	13.12
111⅞	103⅞	Treas 14½pc 1994‡‡	104⅞	+⅛	13.87	12.96
107⅞	100	Exch 13½pc 1994	101⅞xd	+⅛	13.32	13.06
96⅞	89⅞	Treas. 10pc Ln. 1994‡‡	90⅞	+⅛	11.00	12.86
104⅞	97	Exch. 12¼pc 1994	98⅞	+⅛	12.71	13.00
92⅞	85⅞	Treas 9pc 1994‡‡	86⅞	+⅛	10.37	12.86

Five to Fifteen Years

1990 High	1990 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
[illegible]						

Over Fifteen Years

1990 High	1990 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
[illegible]						

Undated

1990 High	1990 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
[illegible]						

BRITISH FUNDS—Contd

Index-Linked

1990 High	1990 Low	Stock (b)	Price £	+ or −	Yield (1)	Yield (2)
112⅞	110⅞	Tr. 2pc '92‡‡(97.8)	112⅞	+⅛	3.84	5.19
105⅞	103⅞	Do. 2 '94 (102.9)	104⅞	+⅛	3.53	4.17
156⅞	150⅞	Do. 2pc '96(67.9)	151⅞	+⅛	3.68	4.10
131⅞	123⅞	Do 2½pc '01(78.3)	125⅞	+⅛	4.03	4.29
128⅞	119⅞	Do. 2½pc '03(78.8)	121⅞	+⅛	4.07	4.31
131⅞	122⅞	Do. 2pc '06(69.5)	124⅞	+⅛	4.09	4.24
123⅞	113⅞	Do. 2½pc '09(78.8)	115⅞	+⅛	4.03	4.20
128⅞	118⅞	Do. 2½pc '11(74.6)	120⅞	+⅛	4.00	4.16
107⅞	97⅞	Do. 2½pc '13(89.2)	99⅞	+⅛	3.96	4.11
115⅞	105⅞	Do. 2½pc '16(81.6)	107⅞	+⅛	3.90	4.05
119⅞	102⅞	Do. 2½pc '20(83.0)	104⅞xd	+⅛	3.85	3.98
95⅞	86⅞	Do. 2½pc '24‡‡(97.7)	88⅞	+⅛	3.79	3.91

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for July 1989: 115.5 and for February 1990. 120.2.

INT. BANK AND O'SEAS

1990 High	1990 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
100⅞	87⅞	African Dv Bk 11¼ Ln 2010	88⅞	+⅛	12.55	12.70
96⅞	82⅞	Asian Dev Bk 10¼ pcLn2009	84⅞	+⅛	12.07	12.31
101⅞	87⅞	Euro Inv Bk 11pc Ln 2002	89⅞	+⅛	12.30	12.47
110⅞	97⅞	Int-Am Dev Bk 12½pc 2003	98⅞	+⅛	12.69	12.73
91⅞	78⅞	Do. 9¾pcLn 2015	80⅞	+⅛	12.18	12.34
90⅞	81⅞	Mlysia 10¾pcLn 2009	81⅞	.....	13.19	13.45
110	109	Nd. Mexican States 16½pc 2008	109	.....	15.14	14.90

CORPORATION LOANS

1990 High	1990 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
[illegible]						

COMMONWEALTH & AFRICAN LOANS

1990 High	1990 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
[illegible]						

LOANS

Public Board and Ind.

1990 High	1990 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
[illegible]		[illegible]	[illegible]		6.67	8.67

FOREIGN BONDS & RAILS

1990 High	1990 Low	Stock	Price £	+ or −	Div % Gross	Red. Yield
[illegible]						

AMERICANS

1990 High	1990 Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
[illegible]							

AMERICANS—Contd

1990 High	1990 Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
35⅞	27⅞	Campbell Soup 15c	31⅞xd	+⅛	$1.00	−	1.9
21⅞	15⅞	Chase Manhattan $12½	17⅞xd	+⅛	$2.36	−	8.3
19⅞	14⅞	Chem. Banking Corpn	14⅞	−⅛	$2.72	−	11.6
12⅞	9⅞	Chrysler $6¼	10⅞xd	+⅛	$1.20	−	7.2
18⅞	13⅞	Citicorp $1	14⅞xd	+⅛	$1.62	−	6.8
39⅞	31⅞	Colgate-Palmolive $1	36⅞xd	−⅛	n$1.48	−	2.5
12⅞	[illegible]	Cont'l Bank Corp $4	9⅞	−⅛	$1.00	−	6.5
268p	128p	Corporate Data Scnc	154p	−26	−	−	−
21⅞	18⅞	Dana Corp. $1	20⅞xd	−⅛	$1.60	−	4.7
768p	510p	Data General	552p	−15	−	−	−
29⅞	25⅞	Dun & Bradstreet $1	27⅞	−⅛	$2.00	−	4.4
35⅞	29⅞	Eaton Corpn. 50c	34⅞	−⅛	h$2.00	−	3.5
10⅞	7⅞	Echlin Inc	7⅞	−⅛	70c	−	5.3
22⅞	19⅞	FPL Group 1c	19⅞	−⅛	$2.28	−	7.0
27⅞	21⅞	Fluor Corp £2½pc	25⅞	−⅛	24c	−	0.6
30⅞	25	Ford Motor $1	28⅞	+⅛	$3.00	−	6.2
41⅞	36⅞	Gen. Elect. 63c	39⅞	+⅛	[illegible]	−	2.9
427p	304p	General Host Corp $1	406p	+7	30c	−	4.4
[illegible]	25⅞	Gillette $1	31⅞	−⅛	96c	−	1.8
315p	231p	Gt American Bank Bi $1	253p	−23	20c	−	4.8
20⅞	17⅞	Greyhound $1½	18⅞	−⅛	$1.32	−	4.3
12⅞	10⅞	Hasbro Inc 50c	11⅞	−⅛	16c	−	0.8
55⅞	46⅞	Honeywell $1½	54⅞xd	−⅛	$2.75	−	3.1
21⅞	19⅞	Houston Inds.‡	20⅞	−⅛	$2.96	−	8.8
67⅞	57⅞	IBM Corpn $1¼	64⅞xd	+⅛	$4.84	−	4.5
50p	30p	Image Storage/R.Sys.1c	38p	−5	−	−	−
35⅞	27⅞	Ingersoll-Rand $2	33⅞xd	−⅛	$1.20	−	2.2
25⅞	20⅞	Lockheed Crpn. $1	22⅞xd	−⅛	$1.80	−	4.9
11⅞	7⅞	Lone Star Inds $1	7⅞xd	.....	$1.90	−	15.4
28	24⅞	Louisiana Land 15c	25⅞	−⅛	$1.00	−	2.3
21⅞	15⅞	Lowe's 50c	20	−⅛	52c	−	1.6
22⅞	16⅞	Manuf. Hanover $1	19⅞	−⅛	$3.28	−	10.1
16⅞	12⅞	Merrill Lynch $1	13⅞	−⅛	$1.00	−	4.6
26⅞	21⅞	Molex Inc	24⅞	−⅛	3.2c	−	0.1
27⅞	20	Morgan (JP) $2½	22⅞xd	+⅛	$1.82	−	4.9
27	21⅞	Morris (Philip)	24⅞xd	+⅛	$1.13	−	2.8
56⅞	44⅞	NYNEX $1	50⅞	.....	$4.36	−	5.2
19p	11p	N'wide Legal Serv.‡	13p	−2	−	−	−
21⅞	18⅞	PHH Corp ‡	20	−⅛	$1.16	−	3.5
195p	155p	Pacific Agr.‡	164p	+3	−	−	−
14⅞	12⅞	Pacificorp $3⅞	13⅞	.....	h$1.38	−	5.8
31⅞	24⅞	Pacific Telesis 10c	28⅞	−⅛	[illegible]	−	4.0
22⅞	19⅞	Pall Corp 25c	[illegible]		48c	−	1.3
[illegible]							

CANADIANS

1990 High	1990 Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
[illegible]							

Continued on next page

LONDON SHARE SERVICE

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BANKS, HP & LEASING

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
303	241	ANZ SA1	242	+1	44c	1.4	8.2	8.6
196	172	Abbey National 10p	193	....	5.7	4.3	3.9	7.8
282	238	Allied Irish Ord	260	....	m068*	3.3	3.1	13.4
£13¼	£11¾	Algemene Fl.10	£12	–⅛	Q28*	2.0	7.2	7.0
85	73	Anglo Irish	82	–	Q18.7*	2.7	5.4	11.2
81	71	Ansbacher (H.) 1p	72	....	2.5	1.3	4.6	20.7
£68¼	£54¼	Bancaire Cie Fr100	£64¼	+1½	Q12½*	–	2.2	–
£22¾	£16¾	Banco Bilbao Viz.	£16¾	..	Q17.9*	2.0	4.3	11.5
£31	£24¼	Banco de Santander	£24¾	....	Q25*	2.4	4.7	8.9
295	246	Bank Ireland Ir£1	260	....	Q12*	3.2	4.5	8.9
£19½	£18	Bank Leumi	£19½	....	–	–	–	–
350	320	Bank Leumi (U.K.)	345	....	†13.5	–	5.2	–
125	113	Bank Scotland	119	+1	†3.8	3.6	4.3	8.6
100¾	90	Do. 9¼pc Irrd Pf	92½	+½	9¼*	–	13.3	–
54	52	Bank of Wales	52		2.8	1.6	7.2	10.9
599	539	Barclays £1	580	+1	27.4	q3.6	6.3	5.7
22	16	Benchmark 20p	16	....	1.63	1.0	14.2	8.8
335	310	Brown Shipley £1	315	....	†10.5	–	4.4	–
455	404	Cater Allen £1	404	..	23.5	–	7.8	–
179	149	Chancery	167	+5	†8.0	2.8	6.4	7.4
£23½	£19¾	Commerzbk DM10	£21½	–½	Q18*	–	3.0	–
£27	£23	C'hgn Hbk Kr100	£25	–¼	Q15*	–	5.5	–
£13¼	885	Dai-Ichi K Bk Y50	888	–7	Q16*	8.8	0.3	34.0
£311½	£262½	Deutsche Bk DM50	£293½	+1½	Q26*	–	1.7	–
£20½	£19	Espirito Santo	£19¾	+¼	Q75c	3.3	2.3	13.4
253	211	First Nat. Fin. 10p	225	....	13.0	2.4	7.7	6.9
121	106	FNFC 6.3pc Cv. Pf	115	+2	6.3*	–	7.3	–
£15¼	978	Fuji Bank Y50	997	+19	Q15.6*	4.2	0.3	–
325	269	Gerrard & National	282	+9	18.5	–	8.7	–
154	146	Guinness Mahon 10p	146	....	4.2.1	–	1.9	–
328	264	Hambros 20p	264	....	†10.0	–	5.1	–
128	107	Do. 7.5pc Cv Pf	107	....	7½*	–	9.3	–
59	53½	HK & Shang HK$2.50	54½	–½	Q42c	–	6.0	–
478	458	Joseph (Leo) £1	458	....	15.85	–	4.6	–
145	133	King & Shaxson 20p	136	....	9.25	–	9.1	–
422	358	Kleinwort Benson Grp	367	+5	16.0	–	5.8	–
642	405	Kyowa Bank Y50	419	+14	hQ14*	4.7	0.7	31.7
307½	277	Lloyds £1	292	–7	13.3	2.6	6.1	6.9
56	47	Lon. Scot. Bank 10p	48	....	2.4	1.8	6.7	10.1
404	324	Midland £1	335	+3	18.0	2.6	7.2	7.0
£14½	£10	Mitsubishi Bank Y50	£10	....	mQ16*	8.1	0.3	44.6
£12¾	£6	Mitsubishi Tr & Bk Y50	£6	+½	Q16*	8.2	0.5	26.7
£10⅝	£7	Mitsui Bank Y50	£7¼	+⅛	rQ16*	6.0	0.4	40.4
904	559	Mitsui Tst & Bk Y50	598	+39	Q16*	7.1	0.5	26.5
326	284	Nat. Aust. Bk. A$1	292	–5	sQ50c	1.6	7.7	8.0
360	330	NatWest £1	351	+6	16.7	3.3	6.3	6.4

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS – Contd

[illegible]

ENGINEERING

[illegible]

ENGINEERING – Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INDUSTRIALS (Miscel.) – Contd.

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

LONDON SHARE SERVICE

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MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Contd

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

WATER

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

Miscellaneous

MINES—Contd

[illegible]

THIRD MARKET

[illegible]

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- ‖ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs ⊕ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p ... γ	80	+2
Craig & Rose £1.. γ	810	......
Finlay Pkg. 5p... γ	56	......
Holt (Jos) 25p..... γ	1345	......

Arnotts..............	457	−3
Carrol (P.J.) ...... γ	167	......
Hall (R. & H.).......	140	......
Helton Hldgs....... γ	88	+1
IRG	215xd	......
United Drug.......	166	+6

IRISH

Cap. 8¼% Ln 1991	£96¼	......
9pc Cap Ln 1996	£92½	......
Fin. 13% 97/02	£109	......

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	39
Amstrad	5½
Astec (BSR)	5¼
BAT	83
BOC Grp	45
BTR	36
Barclays	49
Blue Circle	19
Boots	23
Bowaters	38
Brit Aerospace	42
British Steel	9
Brit. Telecom	25
Cadburys	27
Charter Cons	40
Comm Union	40
Courtaulds	24
Eurotunnel	60
FKI	7
FNFC	21
Gen Accident	90
GEC	18
Glaxo	56
Grand Met	45
Guardian	19
GKN	33
Hanson	15
Hawker Sidd	55
ICI	85
Ladbroke	25
Legal & Gen	34
Lex Service	26
Lloyds Bank	22
Lucas Inds	52
Marks & Spencer	17
Midland Bk	27
Nat West Bk	29
P & O Dfd	50
Polly Peck	37
Racal Elect	19
RHM	35
Rank Org Ord	68
Reed Intnl	33
STC	20
Sears	9½
SmKl. Beecham A	46
TI	38
TSB	11
Tesco	17
Thorn EMI	61
Trust Houses	22
T&N	17
Unilever	56
Vickers	18
Wellcome	60

Property

Brit Land	32
Control Secs	5
Land Securities	44
MEPC	44
Mountleigh	14

Oils

Aviva Petlm	5½
Brit Petroleum	28
Burmah Oil	52
Conroy Petlm	12
Gaelic Res	4½
Premier	10
Shell	37
Tuskar Res	10
Ultramar	31

Mines

Lonrho	22
RTZ	45

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AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H

80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Chge	Canc Price	Bid Price	Offer Price	+ or -	Yield Grs
High Income						
American Income	6	51.96	52.59xd	56.91	-0.47	[illegible]
Gilts & Fixed Int	6	101.3	101.3xd	107.5	+0.4	[illegible]
High Inc Equity	6	[illegible]	[illegible]	140.3	[illegible]	[illegible]
Worldwide Bond	6	196.4	196.4	208.0	[illegible]	[illegible]
Capital Growth						
American Growth	6	[illegible]	[illegible]	[illegible]	[illegible]	1.02
Asian Pacific	6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Assets & Earnings	6	150.8	150.8	161.3	+0.3	[illegible]
Capital Reserve Acc	0	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Capital Reserve Inc	0	74.86	74.86xd	[illegible]	[illegible]	[illegible]
Comdty & Energy	6	102.8	102.8xd	110.0	-1.0	[illegible]
Dividend & Growth	6	45.53	45.48	[illegible]	...	[illegible]
1992 Enterprise	6	59.43	61.26	65.12	...	[illegible]
Euro Capital Acc	6	102.9	102.9	110.1	-0.1	[illegible]
Euro Capital Inc	6	[illegible]	[illegible]	105.6	[illegible]	[illegible]
General	6	167.5	167.5	179.0	+0.3	[illegible]
International	6	59.96	60.66	[illegible]	-0.15	0.77
Japan	6	89.04	89.04	[illegible]	[illegible]	0.00
Mastertrust	6	87.20	87.20	93.27	-0.05	1.51
UK Growth Acc	6	171.3	171.3	183.3	...	[illegible]
UK Growth Dist	6	111.9	111.9xd	119.7	-0.1	[illegible]
US Emerging Cos	6	56.07	[illegible]	61.26	[illegible]	0.00
Income & Growth	6	291.2	291.2	317.3	+0.7	[illegible]
Ethical	6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Abtrust Management Ltd (1200)H

10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580

	Init Chge	Canc Price	Bid Price	Offer Price	+ or -	Yield Grs
Amer Inc & Growth	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
European	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
European Income	[illegible]	87.01	87.04xd	[illegible]	[illegible]	[illegible]
General	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

GUIDE TO UNIT TRUST PRICING

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INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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	Bid Price	Offer Price	+ or -	Yield Gross
National Financial Management Corp PLC				
72 Gatehouse Rd, Aylesbury, HP19 3XJ 0296 395539				
Life Funds				
Managed Cautionary	101.3	106.8	-1.3	-
Managed Growth	136.9	144.2	-1.8	-
Managed Opportunity	139.8	147.2	-1.8	-
NFMC Target Financial	99.6	104.9	-2.0	-
Pension Funds				
Managed Cautionary	106.3	111.9	-1.3	-
Managed Growth	141.0	148.5	-1.8	-
Managed Opportunity	141.6	149.1	-2.0	-
NFMC Target Mngd Pen.	1457.5	1534.3	+10.8	-
National Mutual Life				
The Priory, Priory Pk, Hitchin SG5 2DW 0462 422422				
Managed Fund	221.2	232.9		-
Managed Protected Fund	185.7	195.5		-
Pens. Managed	288.5	303.7		-
Pens. UK Equity	334.4	352.0		-
Pens Overseas Equity	411.8	433.5		-
Pens Property	156.4	164.7		-
Pens Fixed Interest	168.2	177.1		-
Pens Index Linked	142.5	150.0		-
Pens Deposit	192.4	202.6		-
Harvester & P.R.P.				
UK Equity	146.2	153.9		-
Overseas Equity	147.4	155.2		-
Fixed Interest	115.0	121.1		-
Property	130.2	137.1		-
Index Linked	129.5	136.3		-
Deposit	133.5	140.6		-
Managed	145.6	153.3		-
With Profits	136.5	143.7		-
National Provident Institution				
48 Gracechurch St, London EC3P 3HH 01-623 4200				
Managed	334.5	352.2	+0.9	-
UK Equity	423.7	446.0	+1.3	-
Overseas Eq.	354.9	373.6	+0.6	-
Americas	266.8	[illegible]	[illegible]	-

	Bid Price	Offer Price	+ or -	Yield Gross
Providence Capital Life Assc. Co Ltd — Contd.				
UK Managed Initial		113.4	+0.2	-
Property Initial		165.9	-0.2	-
Money Initial		79.6		-
Special Market Initial		133.2	-2.1	-
Japan Equity Initial		90.6	+2.1	-
North American Initial		83.8	-0.6	-
Pacific Initial		78.2	+0.5	-
Technology Initial		89.8	-3.3	-
Nat Resources Initial		57.2	+0.2	-
European Initial		106.6	-0.1	-
Residential Prop Init.		99.4		-
Swiss Equities Initial		36.0	-0.4	-
Hong Kong Initial		29.9	+0.3	-
UK High Inc Eq Init.		67.2	+0.7	-
Int Fixed Interest Init.		49.0	+0.5	-
Int Managed Init.		56.5	-0.1	-
HIP Managed Init.		122.1	-0.1	-
HIP Managed II Initial		98.8		-
Broker Funds				
High Performance	74.8	78.9	-0.5	-
Townsend Sterling Fd Acc.	50.2	52.7	-1.3	-
YRA Erect. Inv Fd	91.6	96.6	-0.1	-
E Global Growth Acc	130.5	137.6		-
E High Income Money Acc.	111.4	117.7		-
IM Balanced		55.2	+0.1	-
H.F. Speculator Fd.		156.3	-0.6	-
PEP Accum II		122.1	-1.1	-
PEP Cautionary		86.6	-3.4	-
AEFS Int Man Fund		118.7	-1.1	-
Andrews-Green Inv Port.		98.9		-
Individual Pension Funds				
UK Equity Acc	216.9	228.9	+1.8	-
UK Fixed Interest Acc.	172.6	182.1	+0.7	-
Int'l Equities Acc	249.8	263.6	-1.3	-
UK Managed Acc	179.3	198.0	+0.6	-
Property Acc	209.5	220.0	-0.3	-
Money Acc.	137.7	145.3	+0.1	-
Special Market Acc.	267.1	281.8	-5.7	-
Japan Equity Acc	183.5	193.6	+4.3	-

Royal Heritage Life Assurance Ltd — Contd.

Royal Life Insurance Ltd

Royal Liver Assurance

Save & Prosper Group (c)

Scottish Amicable

Scottish Equitable Life Assoc. Soc.

Scottish Life Investments

Scottish Mutual Assurance Society

Scottish Mutual Investments

Scottish Provident Institution

Scottish Widows' Group

Shield Assurance Ltd

Skandia Life Assurance Co Ltd (z)

Standard Life Assurance Company

Sun Alliance Group

Sun Life of Canada (UK) Ltd

Sun Life Unit Assurance Ltd

Swiss Life (UK) PLC

TSB Life Ltd

Target Life Assurance Co Ltd

Teachers' Assurance Company Ltd

Tunbridge Wells Equitable

UK Life Assurance Co Ltd

UK Life Assurance Co Ltd — Contd.

Windsor Life Assur. Co Ltd

Zurich Life Assurance Co Ltd

MANAGEMENT SERVICES

Towry Law & Co — Contd.

J. D. Ward Financial Services Ltd

Westcourt Asset Management Ltd

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

JERSEY (SIB RECOGNISED)

IOM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

Capital House Fund Mgrs — Contd.

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Ivory & Sime (Luxembourg) SA
13 rue Goethe L-1637 Luxembourg 010 352 4046461
Atlas Fund

	Init Chrg	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Global Cap Portfolio		$–	2.344	2.496	[illegible]	0.25
United States Portfolio		$–	2.457	2.606	[illegible]	0.58
United Kingdom Portfolio		£–	1.077	1.143	[illegible]	11.00
Cont Europe Portfolio		DM–	4.402	4.668	[illegible]	0.45
Enterprise Portfolio		$–	1.090	1.155	[illegible]	–
Japan Portfolio		$–	0.719	0.763	[illegible]	–
Pacific Portfolio		$–	2.620	2.782	[illegible]	–
Gold Portfolio		$–	2.060	2.185	[illegible]	1.00
UK Growth of Income		£–	1.145	1.215	[illegible]	1.90
Sterling Gilt Portfolio		£–	0.915	0.971	–	5.00
Global Bond Portfolio		$–	1.881	1.995	[illegible]	5.50
Dollar Portfolio		$–	2.068	2.069	[illegible]	7.50
Yen Portfolio		Y–	0.879	0.880	–	2.20
Sterling Portfolio		£–	1.039	1.040	[illegible]	–

Midland International Circuit Fund SICAV
Midland Bank Fund Managers (Jersey) Ltd
PO Box 26, St Helier, Jersey 0534 37788

		Bid	Offer	+ or -	Yield
UK Growth	£–	0.989	1.050	[illegible]	–
European Growth	$–	1.068	1.133	[illegible]	–
Japan Growth	$–	1.012	1.073	–	–
Pacific Growth	$–	0.977	1.037	[illegible]	–
Nth American Growth	$–	1.019	1.081	[illegible]	–
UK Fixed Interest	£–	1.011	1.073	[illegible]	–
Multicurrency Bond	[illegible]	[illegible]	1.081	[illegible]	–
UK Stlg Liquidity	[illegible]	[illegible]	1.074	–	–
US$ Liquidity	[illegible]	[illegible]	1.091	[illegible]	–

Morgan Grenfell UT Mgrs/Deutsche Bank
Representative for RML Luxembourg
20 Finsbury Circus, EC2M 7UT 01-826 0826

		Bid	Offer	+ or -	Yield
Eurorenta	DM–	79.27	81.70	+0.1	–
DM Reserve	DM–	115.05	116.20	–	–
Dollarrenta	$–	48.38	49.90	–	–

Nomura Global Fund
UK dealing agent National Inv Group plc, Holland Hse, 1/4 Bury Street, London EC3A 5AT 01-283 8050

	Bid	Offer	+ or -	Yield
Asia Pacific P'folio	38.21		–	–

Royal Trust Asselmix Fund
41 Avenue de la Gare L-1611, Luxembourg 352 489 061
Equity Funds

		Bid	Offer	+ or -	Yield
Alpha UK	£–	1.19		+0.01	–
Alpha US	$–	1.39		–0.01	0.00

NM Financial Mgmt Intl Ltd—Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
Deutschemark Currency		DM4.971	+0.001	2.36
Dollar Currency		$0.974	+0.002	4.91
Sterling Currency		£0.976	+0.001	10.45
Yen Currency		Y197.5	+0.100	1.40
Managed Currency	£0.943	1.003	–	6.94

Nikko Capital Mgmt (Europe) Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Japan Index Fund	Y3.128	3.159	–	–
New Generation Fd. $	$20.36	20.57	–	–
Japan Index Alpha	Y10.282	10.457	–	–
Jap Sector Rotation	Y8.408	8.756	–	–

Stronghold Asset Mngmt (Guernsey) Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Tech and Comm	£13.80	14.64	–	–
Pacific Basin Fd	$106.42	113.16	–	–
Western European	$78.91	79.58	–	–

Tyndall International (Guernsey) Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Capital Defender	$1.27	1.35	+0.01	–
Hi-Yield Bond	61.9	65.1	–	13.90
Internat. Spec. Sits.	50.0	52.6	+0.1	–
Marsoudi Fd	75.6	79.4	+2.1	–

U.S. Treasury Securities Fund Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Short Term Shares		$699.74	–	–
Fixed Income Shares		$902.83	–	–

Wellington Fd Mgrs (Guernsey) Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Intl Growth Fd	$13.35	13.99	+0.01	–

Yamaichi Capital Mngmt (Guernsey) Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Japan Meta Growth		$11.10	+0.21	–
Yamaichi ISS Fund		$7.52	+0.22	–
Yamaichi CB Plus Fund		$8.22	+0.04	–
Thai Tiger Fund		$12.07	–	–

JERSEY (**)

Allied Irish Fund Managers (CI) Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Sterling Currency Fd		£14.4598	–	–
Managed Currency Fd		£34.1127	–	–
Irish Sterling Equivalent		£21.0237	–	–
Ecu		Ecu12.7312	–	–
Irish Gilt Fd		I£386.6120	–	–
Intl Managed Dollar		$23.4930	–	–
Intl Managed Bond		I£21.1479	–	–

Barclays Intl Funds

[illegible]

SWITZERLAND (SIB RECOGNISED)

[illegible]

CANADA (SIB RECOGNISED)

[illegible]

DUBLIN (SIB RECOGNISED)

[illegible]

GUERNSEY (**)

[illegible]

ISLE OF MAN (**)

[illegible]

LUXEMBOURG (**)

[illegible]

OTHER OFFSHORE FUNDS

[illegible]

OFFSHORE INSURANCES

[illegible]

Nomura Prudential Fd Pt II

	Bid Price	Offer Price	+ or -	Yield Gross
NAV Apr 3	$11.54		–0.33	–

Nomura Prudential Global Portfolio

	Bid Price	Offer Price	+ or -	Yield Gross
NAV Apr 3	$13.40		–0.27	–

Nomura Rosenberg Alpha Fund Mark II

	Bid Price	Offer Price	+ or -	Yield Gross
Portfolio A: NAV	$13.15		–	–
Portfolio B: NAV	$9.96		–	–

North Star Fund Managers (Cayman) Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Invest Fund	DKr262	[illegible]	–	–
Low Risk Fund	DKr205.0	206.0	–	–
High Perf Fund	DKr246.0	247.0	–	–

Tyndall International (Bermuda) Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
American Special Sits.	$44.60	46.84	–0.38	–
Capital Protection Apr 3	$10.35	10.87	–	–
Commodity Apr 3	$26.65	28.20	–	–
Eurobond	$27.60	28.99	–0.22	–
Money Apr 3	$34.39	36.12	+0.02	6.85
Mortgage Apr 3	C$13.68	14.36	–	–
North American	$37.85	39.75	–0.17	–
Overseas	$28.34	29.77	+0.43	–
Pacific Gold	$4.48	4.72	+0.03	–
Tiger	$43.77	45.97	–0.28	–

US Pacific Stock Fund

[illegible]

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

UNIT TRUST NOTES

[illegible]

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Uncertainties dominate

MANY UNCERTAINTIES left foreign exchange trading quiet and confined to narrow ranges yesterday. The market was reluctant to put further heavy pressure on the Japanese yen, ahead of the Group of Seven meeting in Paris at the weekend, and was also waiting for further news about German monetary union before deciding on the direction of the D-Mark. Sterling showed a slight improvement, but was nervously weak in early European trading on fears that recent selling of gold to buy the pound had been reversed. The dollar continued to react to movements in the yen, D-Mark and sterling, rather than having any underlying direction of its own.

At the close in London the dollar had advanced to Y159.00 from Y158.95 against the yen. Earlier in Tokyo the US currency finished at Y158.95, little changed from its opening level and failing to react to a rally in Japanese equity prices. It was suggested that other members of G7 will drive a hard bargain with Japan over support for the weak yen. The US will be looking for concessions on trade, and in general there are doubts that Paris will produce any significant new measures.

The dollar eased slightly against the D-Mark, closing in London at DM1.7005, compared with DM1.7030 on Monday. The apparent reluctance of the West German Government to endorse the Bundesbank proposals for a qualified two to one conversion of East German Marks into D-Marks encouraged speculation that Bonn may bend to pressure from East Germany for parity between the currencies. The market fears that Chancellor Helmut Kohl will give way to political pressure, bringing with it the risk of higher German inflation.

There was little reaction to a fall of 1 per cent in February US leading indicators, although this was larger than most forecasts. In London the dollar eased to SFr1.5020 from SFr1.5070 and to FFr5.7125 from FFr5.7275. The dollar's index fell to 68.8 from 69.0.

A Middle East bank seen as a seller of gold and a buyer of sterling last week was reported to have bought gold yesterday. This led to a weakening of the pound in the morning, but dealers said there was no evidence that the same bank had sold the pound yesterday. Sterling recovered and closed towards the top of the day's range on the attraction of high London interest rates.

The pound rose 45 points to $1.6355. It also improved to DM2.7800 from DM2.7775 and to Y260.00 from Y259.25, while holding steady at SFr2.4575 and FFr9.3425. Sterling's index was unchanged at 87.4.

A strong lira rose to its highest level against the D-Mark since last November, despite a narrowing of interest rate differentials between Milan and Frankfurt. Monday's cut in French interest rates also failed to boost the D-Mark against the French franc. In London the D-Mark fell to L734.50 from L736.35 and to FFr3.3595 from FFr3.3630.

£ IN NEW YORK

Apr. 3	Latest	Previous Close
£ Spot	1.6360-1.6370	1.6340-1.6350
1 month	0.96-0.95pm	0.87-0.86pm
3 months	2.59-2.57pm	2.63-2.60pm
12 months	9.21-9.14pm	9.20-9.13pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Apr. 3	Previous
8.30 am	87.4	87.0
9.00 am	87.4	87.0
10.00 am	87.4	87.2
11.00 am	87.3	87.2
Noon	87.4	87.3
1.00 pm	87.4	87.2
2.00 pm	87.4	87.1
3.00 pm	87.4	87.3
4.00 pm	87.4	87.4

CURRENCY RATES

Apr. 3	Bank rate %	Special* Drawing Rights	European † Currency Unit
Sterling	[illegible]	0.795538	0.739674
US Dollar	[illegible]	1.29490	1.20203
[illegible]	[illegible]	[illegible]	[illegible]

† European Commission Calculations. All SDR rates are for Apr. 2

CURRENCY MOVEMENTS

Apr. 3	Bank of England Index	Morgan** Guaranty Changes %
Sterling	87.4	-23.9
U.S. Dollar	68.8	-9.0
Canadian Dollar	105.0	+1.6
Austrian Schilling	110.0	+12.1
Belgian Franc	111.2	-2.4
Danish Krone	110.6	+4.9
Deutsche Mark	119.0	+24.8
Swiss Franc	109.7	+17.6
Guilder	114.8	+16.4
French Franc	108.0	-11.8
Lira	101.6	-18.1
Yen	117.9	+49.0

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100) **Rates are for Apr. 2

OTHER CURRENCIES

Apr. 3	£	$
[illegible]	[illegible]	[illegible]
Kuwait	1139.75-1158.15	701.00-706.60
Kuwait	0.4820-0.4850	0.2945-0.2950
Luxembourg	57.35-57.45	35.05-35.15
Malaysia	4.4515-4.4630	2.7305-2.7325
Mexico	4538.35-4542.80	2780.00-2790.00
N. Zealand	2.8170-2.8220	1.7265-1.7285
Saudi Ar.	6.1350-6.1405	3.7500-3.7510
Singapore	3.0700-3.0770	1.8820-1.8840
S. Af (Cm)	4.3275-4.3390	2.6555-2.6570
S. Af (Fn)	6.5690-6.7040	4.0240-4.1065
Taiwan	43.10-43.20	26.40-26.45
U.A.E.	6.0065-6.0135	3.6715-3.6735

*Selling rate

EURO-CURRENCY INTEREST RATES

Apr 3	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	14¾-14¼	14⅞-14⅞	15⅛-15	15¼-15⅛	15½-15¼	15¾-15½
US Dollar	8¼-8⅛	8⅜-8¼	8⅜-8⅜	8⅜-8¼	8¾-8⅝	9-8⅞
Can. Dollar	12¾-12⅝	12¾-12⅝	13⅛-12⅞	13¼-13	13⅜-13⅛	13¼-13
D Guilder	8⅛-7⅞	8⅛-7⅞	8¼-8⅛	8⅜-8¼	8½-8⅜	9⅛-8⅞
Sw. Franc	9⅛-8⅞	9⅛-8⅞	9⅛-9⅛	9⅛-9⅛	9⅛-9⅛	9⅛-9⅛
Deutschmark	7⅞-7⅝	7⅞-7⅝	8⅛-7⅞	8¼-8⅛	8⅜-8¼	8⅞-8⅞
Fr Franc	10-9⅞	10-9⅞	10-9⅞	10⅛-10⅛	10¼-10⅛	10½-10⅜
Italian Lira	13-11	11½-10	11⅞-11⅛	12¼-11⅞	12⅝-12¼	13-12⅞
Belgian Franc	10⅛-10⅛	10⅛-10⅛	10⅛-10⅛	10⅛-10⅛	10¼-10⅛	10¼-10⅛
Yen	7⅛-6⅞	7⅛-6⅞	7⅛-7⅛	7⅛-7⅛	7⅜-7⅛	7⅜-7⅜
D Krone	11⅛-11⅛	11⅛-11⅛	11⅛-11⅛	11⅛-11⅛	11⅛-11⅛	11⅛-11⅛
Asian $Sing	8⅛-8⅛	8⅛-8⅛	8⅛-8⅛	8⅛-8⅛	8⅞-8⅞	8⅞-8⅞

Long term Eurodollars: two years 9¼-9⅛ per cent; three years 9⅜-9¼ per cent; four years 9⅝-9⅜ per cent; five years 9½-9⅜ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

POUND SPOT- FORWARD AGAINST THE POUND

Apr. 3	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6275-1.6380	1.6350-1.6360	0.96-0.94cpm	6.97	2.60-2.57pm	6.32
Canada	1.9020-1.9080	1.9070-1.9080	0.39-0.32cpm	2.23	0.78-0.66pm	1.51
Netherlands	3.12-3.13¼	3.12¼-3.13¼	1¾-1⅝cpm	6.47	5¼-4⅞pm	6.39
Belgium	57.25-57.50	57.35-57.45	22-21cpm	4.49	69-65pm	4.67
Denmark	10.56¾-10.62¾	10.61¾-10.62¾	3⅛-2⅞orepm	3.25	9¾-9¼pm	3.56
Ireland	1.0320-1.0415	1.0360-1.0370	0.32-0.27cpm	3.42	0.82-0.70pm	2.93
W. Germany	2.77-2.78¼	2.77¾-2.78¼	1⅝-1½pfpm	6.74	4⅝-4½pm	6.56
Portugal	244.50-245.90	244.90-245.90	2-15cdis	-0.42	99-127dis	-1.84
Spain	176.90-177.55	177.00-177.30	17-10cpm	0.91	57-38pm	1.07
Italy	2035¾-2043¼	2042¼-2043¼	7-5lirepm	3.52	16-13pm	2.84
Norway	10.72¼-10.76¼	10.75¼-10.76¼	2¼-2orepm	2.44	7¾-7pm	2.72
France	9.30¼-9.34¼	9.33¼-9.34¼	3⅝-3⅛cpm	4.50	11¼-11⅛pm	4.79
Sweden	10.00¼-10.04¼	10.03-10.04	½-¼orepm	0.60	1½-1¼pm	0.52
Japan	258¾-260½	259½-260½	1½-1¼ypm	6.63	4⅝-4⅛pm	7.12
Austria	19.49-19.53	19.50-19.53	9⅝-9gropm	5.80	29¾-27¼pm	5.85
Switzerland	2.44¼-2.46¼	2.45¼-2.46¼	1¼-1⅛cpm	5.80	3½-3¼pm	5.70
ECU	1.3570-1.3685	1.3570-1.3580	0.62-0.59cpm	5.35	1.55-1.50pm	4.49

Commercial rates taken towards the end of London trading. Six-month forward dollar 5.03-4.98cpm 12 month 9.22-9.12cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Apr. 3	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6275-1.6380	1.6350-1.6360	0.96-0.94cpm	6.97	2.60-2.57pm	6.32
Ireland†	1.5730-1.5785	1.5765-1.5775	0.44-0.40cpm	3.20	1.40-1.30pm	3.43
Canada	1.1650-1.1685	1.1655-1.1665	0.46-0.48cdis	-4.83	1.40-1.45dis	-4.88
Netherlands	1.9115-1.9190	1.9140-1.9150	0.03-0.01cpm	0.13	0.05-parpm	0.05
Belgium	35.06-35.25	35.05-35.15	2.00-3.00cdis	-1.71	9.00-9.19dis	-1.03
Denmark	6.48¼-6.50¼	6.49-6.49¼	1.50-1.70oredis	-2.95	4.40-4.90dis	-2.86
W. Germany	1.6960-1.7035	1.7000-1.7010	0.08-0.06pfpm	0.49	0.13-0.10pm	0.27
Portugal	150.05-150.35	150.05-150.15	85-95cdis	-7.18	305-320dis	-8.32
Spain	108.45-108.85	108.45-108.55	43-49cdis	-5.08	142-151dis	-5.40
Italy	1246-1250¼	1248¾-1249¼	2.50-4.00liredis	-3.12	10.00-12.00dis	-3.52
Norway	6.57¼-6.59¼	6.57¼-6.58	1.90-2.15oredis	-3.69	5.75-6.15dis	-3.61
France	5.70¼-5.72¼	5.71-5.71½	0.78-0.83cdis	-1.89	2.14-2.24dis	-1.53
Sweden	6.13-6.14¼	6.13¼-6.13¾	2.92-3.07oredis	-5.85	9.00-9.35dis	-5.97
Japan	158.20-159.30	158.95-159.05	0.19-0.17ypm	1.36	0.48-0.45pm	1.17
Austria	11.95¼-11.97½	11.95¼-11.96	0.60-1.05grodis	-0.83	1.30-2.60dis	-0.65
Switzerland	1.4980-1.5035	1.5015-1.5025	0.08-0.11cdis	-0.76	0.20-0.25dis	-0.57
ECU	1.2005-1.2050	1.2035-1.2045	0.16-0.15cpm	1.55	0.58-0.55pm	1.88

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Apr. 3	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.1679	42.2904	+0.29	+0.37	±1.5508
Danish Krone	7.79845	7.80719	+0.11	+0.19	±1.6453
German D-Mark	2.04446	2.04586	+0.07	+0.15	±1.1762
French Franc	6.85684	6.87201	+0.22	+0.30	±1.3618
Dutch Guilder	2.30356	2.30369	+0.05	+0.13	±1.5272
Irish Punt	0.763159	0.763388	+0.03	+0.11	±1.6689
Italian Lira	1529.70	1502.66	-1.77	-1.69	±1.5162
Spanish Peseta	132.889	130.601	-1.72	-1.64	±4.2705

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

Apr.3	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.636	2.780	260.0	9.343	2.458	3.130	2043	1.908	57.40
$	0.611	1	1.699	158.9	5.711	1.502	1.913	1249	1.166	35.09
DM	0.360	0.588	1	93.53	3.361	0.884	1.126	734.9	0.686	20.65
YEN	3.846	6.292	10.69	1000.	35.93	9.454	12.04	7858	7.338	220.8
F Fr.	1.070	1.751	2.975	278.3	10.	2.631	3.350	2187	2.042	61.44
S Fr.	0.407	0.666	1.131	105.8	3.801	1	1.273	831.2	0.776	23.35
H Fl.	0.319	0.523	0.888	83.07	2.985	0.785	1	652.7	0.610	18.34
Lira	0.489	0.801	1.361	127.3	4.573	1.203	1.532	1000.	0.934	28.10
C $	0.524	0.857	1.457	136.3	4.897	1.288	1.640	1071	1	30.08
B Fr.	1.742	2.850	4.843	453.0	16.28	4.282	5.453	3559	3.324	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS [illegible]

LIFFE US TREASURY BOND FUTURES OPTIONS [illegible]

LIFFE BUND FUTURES OPTIONS [illegible]

LIFFE EURODOLLAR OPTIONS [illegible]

LIFFE EUROMARK OPTIONS [illegible]

LIFFE SHORT STERLING OPTIONS [illegible]

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT [illegible]

US TREASURY BONDS 8% [illegible]

6% NOTIONAL GERMAN GOVT. BOND [illegible]

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND [illegible]

THREE MONTH STERLING [illegible]

THREE MONTH EURODOLLAR [illegible]

THREE MONTH EUROMARK [illegible]

THREE MONTH ECU [illegible]

FT-SE 100 INDEX [illegible]

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.6355	1.6260	1.6097	1.5855	1.5438

IMM-STERLING $s per £

	Latest	High	Low	Prev.
Jun	1.6108	1.6118	1.6092	1.6148
Sep	1.5856	1.5856	1.5846	1.5904

CHICAGO

U.S. TREASURY BONDS (CBT) 8% [illegible]

JAPANESE YEN (IMM) [illegible]

DEUTSCHE MARK (IMM) [illegible]

U.S. TREASURY BILLS (IMM) [illegible]

THREE-MONTH EURODOLLAR (IMM) [illegible]

SWISS FRANC (IMM) [illegible]

STANDARD & POORS 500 INDEX [illegible]

PHILADELPHIA SE £/$ OPTIONS [illegible]

20 YEAR 10% NOTIONAL FRENCH BOND (MATIF) FUTURES [illegible]

OPTION ON LONG-TERM FRENCH BOND (MATIF) [illegible]

THREE-MONTH PIBOR FUTURES (MATIF) [illegible]

CAC-40 FUTURES (MATIF) Stock Index [illegible]

BASE LENDING RATES

[illegible]	15	[illegible]	15	[illegible]	15
Barclays Bank	15	Heritable & Gen Inv Bank	15	Westpac Bank Corp.	15
Beneficial Bank PLC	15	● Hill Samuel	§15	Whiteaway Laidlaw	15
Brit Bk of Mid East	15	C. Hoare & Co.	15	Yorkshire Bank	15
● Brown Shipley	15	Hongkong & Shangh	15		
CL Bank Nederland	15	● Leopold Joseph & Sons	15		
● Charterhouse Bank	15	Lloyds Bank	15		
Citibank NA	15	Meghraj Bank Ltd	15		
City Merchants Bank	15	McDonnell Douglas Bnk	15		
Clydesdale Bank	15	Midland Bank	15		
Comm. Bk. N. East	15	Mount Banking	15		
		Nat Bk. of Kuwait	15		

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MONEY MARKETS

Slightly softer tone

INTEREST RATES had a slightly softer tone in London yesterday, despite a little nervousness surrounding sterling. Three-month interbank was quoted at 15¼-15⅛ per cent, against 15¼-15⅛ on Monday, while one-year money eased to 15⅝-15½ per cent from 15⅝-15⅝. On Liffe June short sterling was steady, closing at 84.79, against 84.78 perviously.

The Bank of England forecast a flat credit position on the London money market, and did not intervene.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £115m, with bank balances below target absorbing £30m. These were roughly balanced by Exchequer transactions adding £100m to liquidity and a fall in the note circulation of £55m.

UK clearing bank base lending rate 15 per cent from October 5

In Frankfurt call money rose to 7.85 from 7.80 per cent as credit conditions continued to tighten at the beginning of a new month's accounting period. Banks are building up reserves after holding an average of DM59.3bn in March, against the Bundesbank's required figure of DM59.0bn. March was a difficult month because of large seasonal tax payments, but conditions are expected to be more comfortable in April.

Dealers waited to see whether the Bundesbank drains liquidity at this week's securities repurchase agreement tender. The central bank offered funds for 28 and 63 days at variable bid rates. The result of the tender will be announced today when two earlier pacts totalling DM32.2bn expire.

In Brussels the Belgian National Bank cut the interest rate on three-month Treasury certificates by 0.10 per cent to 10.20 per cent. This is the main instrument of Belgian monetary policy, and follows a weakening of the D-Mark within the European Monetary System, taking pressure off the lower placed currencies, such as the Belgian franc. Rates on one-month and two-month Treasury certificates were reduced last Friday, and were also cut by 0.10 per cent yesterday, to 10.00 per cent and 10.10 per cent respectively.

In Amsterdam call money rose to 8.10 from 8.01 per cent, in spite of action by the Dutch Central Bank to add a net Fl 2.54bn to the banking system, via a seven-day special advances facility. Three-month money rose to 8.45 from 8.40 per cent and six-month funds firmed to 8.70 from 8.59 per cent.

FT LONDON INTERBANK FIXING

(11.00 a.m. Apr.3) 3 months US dollars		6 months US Dollars	
bid 8¼	offer 8⅜	bid 8⅜	offer 8½

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Treasury Bills and Bonds

Prime rate	10	One month	7.71	Three year	8.64
Broker loan rate	9¾	Two month	7.97	Four year	8.65
Fed.funds	8¼	Three month	8.10	Five year	8.64
Fed.funds at intervention	8¼	Six month	8.24	Seven year	8.68
		One year	8.31	10-year	8.62
		Two year	8.60	30-year	8.62

Apr.3	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	7.80-7.90	7.80-7.90	7.95-8.05	8.10-8.20	8.45-8.60	8.00
Paris	10⅛-10⅛	10-10⅛	10⅛-10⅛	10⅛-10⅛	10⅛-10⅜	9.75
Zurich	8⅛-8⅛	8¾-9	-	8⅞-9⅛	-	-
Amsterdam	8.18-8.31	8.16-8.26	-	8.38-8.48	-	-
Tokyo	6⅞-6⅞	7⅛-7⅛	-	7⅛-7⅞	-	-
Milan	12⅛-12½	12⅛-12⅞	-	12⅛-12⅛	-	-
Brussels	7.55	10⅛-10⅛	-	10⅛-10⅛	-	-
Dublin	11⅛-11⅛	11⅛-11⅞	12⅛-12⅛	12⅛-12⅞	12⅛-12⅛	-

LONDON MONEY RATES

Apr 3	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	14⅞	14⅞	15	15¼	15½	15⅝
Interbank Bid	9	14⅞	14⅞	15⅛	15⅜	15½
Sterling CDs	-	-	15	15⅛	15⅜	15⅝
Local Authority Deps.	14⅝	14⅝	14⅞	15⅛	15⅜	15½
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps.	14⅝	14⅞	14⅞	14⅝	-	-
Company Deposits	-	-	15	15¼	15½	15⅝
Finance House Deposits	-	-	15	15¼	15⅜	15⅝
Treasury Bills (Buy)	-	-	14⅞	14⅝	-	-
Bank Bills (Buy)	-	-	14⅞	14⅞	14⅞	-
Fine Trade Bills (Buy)	-	-	15⅛	15⅛	14⅞	-
Dollar CDs	-	-	8.37	8.42	8.62	8.88
SDR Linked Dep. Offer	-	-	9⅛	9⅛	9⅛	9⅞
SDR Linked Dep. Bid	-	-	9	9⅛	9⅛	9⅞
ECU Linked Dep. Offer	-	-	9⅞	10⅛	10⅞	11
ECU Linked Dep. Bid	-	-	9⅞	10⅛	10⅛	10⅞

Treasury Bills (sell); one-month 14⅝ per cent; three months 14⅞ per cent; Bank Bills (sell): one-month 14⅞ per cent; three months 14⅝ per cent; Treasury Bills; Average tender rate of discount 14.5870 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day March 30, 1990. Agreed rates for period April 25 to May 25, 1990, Scheme I: 15.90 p.c., Schemes II & III: 16.57 p.c. Reference rate for period March 1, 1990 to March 30, 1990, Scheme IV&V: 15.311 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 15½ from April 1, 1990: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 11½ per cent, one-three months 13 per cent; three-six months 13 per cent; six-nine months 13 per cent; nine-twelve months 13 per cent; Under £100,000 11½ per cent from Oct 9, 1989. Deposits withdrawn for cash 5 per cent.

JOTTER PAD

CROSSWORD

No.7,206 Set by VIXEN

ACROSS
1 Criticises the roofing material used (6)
4 To bow before the head shows cunning (8)
10 Phone about oriental 25 paying a visit (9)
11 A villain's turnover in French street (5)
12 The river is in all probability a recreational place (4)
13 Stock limitation not expected to restrict traffic (6-4)
15 Unskilled, yet quite outstanding (7)
16 A number were in debt, it's maintained (6)
19 The wrong set can rise (6)
21 Twist, note — and with little hesitation! (7)
23 Youngster wanting share in 19 (10)
25 Coppers look for a couple (4)
27 Retirement will not change her (5)
28 A flashy display (9)
29 Music which may be seen and read (8)
30 Chicanery, from the western point of view (6)

DOWN
1 Make a song about a carrier getting lost (8)
2 Like transcribing a priest's letters (9)
3 A woman held in a case of mistaken identity (4)
5 Great at organising water-sports (7)
6 A female centaur? (10)
7 Forever acquiring silver, being keen (6)
8 A ship must carry a great many pieces of pottery (6)
9 Sit up with an English non-alcoholic drink (6)
14 The sailor gets a meal — beans maybe (4,6)
17 Really delightful, so finishing up absorbing the listener (9)
18 Stop the meeting, and all for it! (8)
20 Pleased the correct sign was first given (7)
21 Being on time, are able to cope (6)
22 The rotters set about a Greek character, a Phoenician prince (6)
24 Class instruction (6)
26 Exceptionally neat mount (4)

Solution to Puzzle No.7,205

WORLD STOCK MARKETS

AUSTRIA — April 3 — Sch. — + or −

[illegible]

BELGIUM/LUXEMBOURG — April 3 — Frs. — + or −

[illegible]

DENMARK — April 3 — Kr — + or −

[illegible]

FINLAND — April 3 — Mks — + or −

[illegible]

FRANCE — April 3 — Frs. — + or −

[illegible]

FRANCE (continued)

[illegible]

GERMANY — April 3 — Dm. — + or −

[illegible]

GERMANY (continued)

[illegible]

ITALY — April 3 — Lire — + or −

[illegible]

ITALY (continued)

[illegible]

NETHERLANDS — April 3 — Fl. — + or −

[illegible]

NORWAY — April 3 — Kroner — + or −

[illegible]

SPAIN — April 3 — Pts. — + or −

[illegible]

SWEDEN — April 3 — Kronor — + or −

[illegible]

SWITZERLAND — April 3 — Frs. — + or −

[illegible]

SOUTH AFRICA — April 3 — Rand — + or −

[illegible]

JAPAN — April 3 — Yen — + or −

[illegible]

AUSTRALIA (continued)

[illegible]

HONG KONG — April 3 — H.K.$ — + or −

[illegible]

AUSTRALIA — April 3 — Aust.$ — + or −

[illegible]

MALAYSIA — April 3 — M.$ — + or −

[illegible]

SINGAPORE — April 3 — S$ — + or −

[illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

CANADA

TORONTO

2pm prices April 3

[illegible]

INDICES

NEW YORK — DOW JONES

[illegible]

STANDARD AND POOR'S

[illegible]

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day
Amer	2,043,300	28⅞	+ ⅛
Fiat	1,831,100	21⅛	− ⅝
Newmont Gl.	1,750,900	25⅞	− 6⅛
Philip Morris	1,611,700	39⅞	—
Gen. Motors	1,440,300	45⅞	− ⅛
Unocal Corp.	1,349,400	33⅞	+ 1⅛
IBM	1,298,300	105⅞	− ⅛
Am.Gen.Corp.	1,288,800	36⅛	− 1⅞
Citicorp	1,318,500	23⅛	+ ⅛
Am. Express	1,095,600	26	+ ⅛

TRADING ACTIVITY

† Volume (Millions)	Apr 2	Mar 30	Mar 29
New York	124,360	133,484	132,198
Amex	9,266	11,546	10,431
NASDAQ	(u)	126,626	124,188
Issues Traded	1,980	1,942	1,945
Rises	424	722	576
Falls	1,128	723	858
Unchanged	428	497	511
New Highs	7	11	18
New Lows	58	42	34

CANADA

TORONTO	Apr 2	Mar 30	Mar 29	Mar 28	1990 HIGH	1990 LOW
Metals & Minerals	3137.40	3125.70	3176.60	3174.90	3453.05 (4/1)	2921.05 (23/2)
Composite	3612.30	3639.60	3665.90	3677.40	4009.47 (3/1)	3612.50 (2/4)
MONTREAL Portfolio	1866.61	1880.74	1892.51	1901.25	2060.90 (3/1)	1852.36 (23/2)

Base values of all indices are 100 except NYSE All Common − 50; Standard and Poor's − 10; and Toronto Composite and Metals − 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

AUSTRALIA · AUSTRIA · BELGIUM · CANADA · DENMARK · FINLAND · FRANCE · GERMANY · HONG KONG · IRELAND · ITALY · JAPAN · MALAYSIA · NETHERLANDS · NORWAY · PHILIPPINES · SINGAPORE · SOUTH AFRICA · SOUTH KOREA · SPAIN · SWEDEN · SWITZERLAND · TAIWAN · THAILAND · WORLD

[illegible]

TOKYO - Most Active Stocks

Tuesday April 3 1990

	Stocks Traded	Closing Prices	Change on day
Hitachi	34.8m	1,620	+120
NEC	28.7m	2,200	+170
Canon	18.9m	1,800	+210
Nippon Steel	18.8m	602	+17
Toshiba	17.6m	1,020	+60
Honshu Paper	10.2m	1,890	−40
Sumitomo Metal	8.9m	486	+6
Kawasaki Steel	8.8m	490	−76
Mitsubishi El Co	7.8m	990	+100
Kobe Steel	7.6m	621	+28

3pm prices April 3

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
37½	26½	AAR	.48	1.6	18	65	30	29½	29⅝	– ⅛
9⅜	8½	ACM n	1.01	11.		140	9⅛	9	9	– ⅛
11⅜	10½	ACMIn	1.26	11		301	11	10⅞	11	
9⅞	7⅛	ACM M	n1.01	12.		174	8⅛	8	8⅛	
12⅛	11⅜	ACMMM				199	11¾	11½	11⅝	
11½	10	ACM Sc	1.26	12.		749	10⅞	10⅝	10⅞	
9⅜	8⅛	ACMSp	1.01	12.		449	8⅞	8⅝	8⅝	– ⅛
22⅜	13	AL Lab	.16	.7	21	23	22¼	22⅛	22⅛	+ ⅛
4⅛	3⅛	AMCA	.12e	3.9	39	25	3¼	3⅛	3⅛	– ⅛
6⅛	2⅝	AM Int			10	304	3	2⅞	2⅞	+ ⅛
107¼	52½	AMR			9	3361	65⅛	64⅛	65⅛	+ ½
5⅛	3⅛	ARX				45	3⅝	3⅝	3⅝	– ⅛
72¼	39	ASA	3a	5.8		600	52	51⅛	51⅞	+1⅛
70⅜	53¼	AbtLab	1.68	2.5	17	2565	66⅞	65⅜	66⅞	+1½
17¼	11¼	Abitibi g	.50			50	13½	13½	13½	
13	8⅞	AcmeC	.40	4.1	11	22	9⅞	9⅝	9¾	+ ⅛
9¼	7	AcmeE	.32	3.6	12	15	9⅛	9	9	
38½	28⅛	Acuson			22	367	35½	35¼	35¼	– ⅛
16½	13⅛	AdaEx	2.08e	13.		63	15¾	15½	15⅝	
15⅝	7⅞	Adobe				6	13	12¾	12⅞	
20⅛	16⅞	Adob pf	1.84	9.7		3	19	18⅞	18⅞	– ⅛
21⅝	19⅞	Adob pf	2.40	11.		3	21⅛	21⅛	21⅛	– ⅛
10½	6⅞	AMD			21	3674	9½	9¼	9¼	– ⅛
39	28¼	AMD pf	3	9.4		16	31⅞	31⅝	31¾	+ ½
10⅛	5	Advest	.16	3.0	7	58	5⅜	5¼	5⅜	
62½	49⅜	AetnLf	2.76	5.5	9	533	50⅛	49⅞	50⅛	+ ⅜
14	8⅞	AflPb	.24	2.3		430	10⅜	10¼	10¼	– ⅛
25	16⅜	Ahmans	.88	5.0	9	3024	17⅝	17⅜	17⅝	+ ¼
3⅞	2	Aileen				43	2	2	2	
53¼	40	AirPrd	1.32	2.6	13	3328	51⅝	50¾	51⅝	+ ⅜
47⅞	22⅞	AirbFrt	.60	1.3	18	195	47⅝	47⅜	47⅜	+ ⅛
25⅛	15½	Airgas			15	46	16½	16⅜	16⅜	
20⅜	16⅞	Airlease	2.40	13.	9	7	18⅛	18	18⅛	+ ⅛
10¼	8⅝	AlaP dpf	.87	9.3		44	9⅜	9⅜	9⅜	
103½	98	AlaP pf	9.44	9.5		z100	99	99	99	+1
30½	19¼	AlskAir	.20	.8	9	405	23⅞	23⅜	23⅞	+ ⅛
23⅛	15¼	Albnyln	.36	2.1	10	23	16¾	16⅝	16⅝	+ ⅛
26⅜	16⅜	Alberto	s.20	.9	20	57	24	23⅞	23⅞	+ ⅛
20¼	13⅞	AlCulA	s.20	1.1	16	106	19	18¾	19	+ ½
60¼	40¼	Albtsn	.96	1.7	19	794	57	56⅞	57	+ ¼
29⅛	18⅞	Alcan g	1.12	5.2	6	2449	21⅞	21¼	21½	+ ⅛
36⅝	26¾	AlcoStd	.84	2.8	11	618	31¼	30½	30½	– ⅜
34	24	AlexAlx	1	3.7	18	390	27⅛	26⅝	27⅛	+ ⅛
71⅛	45½	Alexdr				114	51⅝	50½	50½	+ ⅛
1⅛	⅛	vjAlgInt				222	⅛	⅛	⅛	– 1-16
3⅛	3-32	vjAlgI pr				9	9-16	½	9-16	+ 1-16
10	7-16	vjAlI ptC				50	15-16	⅞	⅞	– ⅛
43⅝	32⅜	AlgLud	1.20	2.9	7	191	41½	41⅛	41⅛	– ⅛
42½	36¼	AllgPw	3.16	8.1	10	1291	39	38⅝	38⅞	+ ⅛
16⅜	9	AllenG			16	62	12	11⅞	12	+ ⅛
19⅞	11½	Allen pf	1.75	9.8		19	17⅞	17¾	17⅞	+ ⅛
25½	12¼	Alrgn g	.12e	.8		2832	15⅞	15⅜	15½	+ ⅜
17⅜	11½	AlnCap	1.60a	9.7	16	119	16½	16¼	16½	+ ⅛

[illegible]

Continued on Page 45

هكذا من الأصل

مكتبة الأصل

NYSE COMPOSITE PRICES

Continued from previous Page

[illegible]

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. [illegible]

AMEX COMPOSITE PRICES

3pm prices April 3

[illegible]

NASDAQ NATIONAL MARKET

3pm prices April 3

[illegible]

AMERICA

Dow makes healthy gain after Tokyo's recovery

Wall Street

THE SHARP rebound in Tokyo helped US equities to make strong gains at yesterday's midsession, *writes Janet Bush in New York.*

At 2 pm, the Dow Jones Industrial Average was 23.65 higher at 2,724.10 on improved volume of 87m shares. The Dow had lost only 6.76 on Monday in spite of the second worst drop ever in Tokyo.

Yesterday's morning gains were not confined to blue chip issues, which have tended to outperform the broad market for some months. At midsession, the Nasdaq Composite Index of over-the-counter stocks, which has been under pressure lately, was 3.55 higher at 436.73 and other major indices also posted healthy gains.

There was little reaction in the equity market to news that February leading indicators fell 1 per cent compared with estimates of a 0.7 per cent decline. This was partly because, without a plunge in building permits, the indicators would have fallen only 0.1 per cent. The release suggested that the economy continued to roll along at a modest pace, but was not falling into recession.

Of more concern to both the stock and bond markets are this Friday's March employment figures which provide a first glimpse at the economy's performance each month and are looked at closely by the Federal Open Market Committee in setting monetary policy.

The improved volume in the equity market yesterday encouraged those who expect it to rally further. There was some scepticism about what was, on the surface, an encouragingly resilient performance on Monday because volume was so low, with only 124m shares changing hands.

Mr Newton Zinder, technical strategist at Shearson Lehman Hutton, said the light volume and mediocre breadth, both of which were present on Monday, were significant impediments to sustained rallies. He said that he had expected some follow-through gains yesterday but still questioned whether these could be sustained.

The market has been preparing itself for possible as US corporations announce their first quarter results in the next few weeks. The case of Network Equipment Technologies, which fell more than 20 per cent on Monday after the company said earnings would be below expectations in the quarter ending March, showed how sensitive investors were to poor figures.

Among featured issues yesterday was Corning, the glass manufacturer, which dropped $3/4 to $45 3/4 after it announced net income of 49 cents a share in the first quarter which was below expectations.

Unocal, which has been rising on takeover speculation, yesterday dropped $1 1/2 to $32 1/2, on profit-taking and after some negative comments about its earnings this year from Wall Street analysts.

Georgia Gulf fell $1/4 to $44 1/4. NL Industries, controlled by Mr Harold Simmons, the Dallas investor, said that it would allow its $45-a-share offer to expire and support a recapitalisation for the company.

Whitehall rose $3/4 to $17 3/4. Cambridge Capital Fund, which has a 9.6 per cent stake in the company, said it wanted to buy the rest for $20 a share and said it would engage in a proxy fight if Whitehall refused to discuss the bid.

UAL, the holding company for United Airlines, was up $2 3/4 at $163 1/2 on reports that the airline might be near to an pact with unions for an employee buy-out.

Among blue chip issues, IBM added $3/4 to $106 1/2, Coca-Cola gained $1 to $77, Merck rose $1/4 to $71 1/4 and International Paper edged $1/2 higher to $50 3/4.

Canada

TORONTO firmed at midsession, cheered by Tokyo's recovery and a rise in the gold price on rumours of Middle Eastern and Japanese buying.

The composite index was 24.0 higher at midday at 3,636.5 after opening at 3,626.37. Gold shares bounced back, with Corona adding C$1/8 to C$9.14 and Lac Minerals up C$1/4 to C$13 3/8.

EUROPE

Paris enjoys chance to celebrate rate cut

BOURSES were split yesterday between those actively making strong gains based on fundamentals, such as Paris, and those hampered by quiet trading, such as Zurich, *writes Our Markets Staff.*

PARIS was at last able to welcome the previous day's interest rate cut, after Monday's fall in thin volume after Tokyo's plunge. The CAC 40 index gained 38.37, or 2 per cent, to 1,985.55 in active volume estimated at FFr3.5bn to FFr4bn, compared with Monday's FFr2bn.

Optimism about the economy and the franc's strength, together with hopes of a further cut in interest rates, attracted back the foreign investors, with blue chips rallying in busy trading. Lafarge Coppée, the cement producer, continued to advance after its recent profits announcement, gaining FFr25, or 6.8 per cent, to FFr391.50 in the day's biggest volume of 700,890 shares.

Elsewhere in the construction sector, Bouygues, the building group, gained FFr36 to FFr618. Eurotunnel gained FFr3.20 to FFr55.50 after encouraging progress reports on the Channel tunnel. Other strong performers included Lyonnaise des Eaux, which added FFr33 to FFr668.

CGE rose FFr22 to FFr601. The electrical and engineering stock reached a day's high of FFr614 after a news agency report that it would announce profits of more than FFr4bn today; analysts expect about FFr3.8bn.

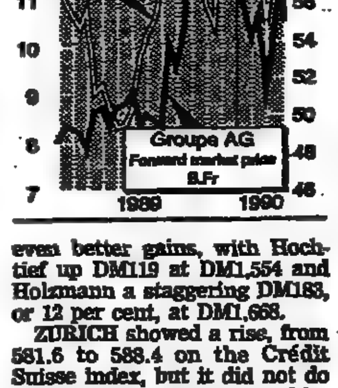
Scoa, the distribution group, continued to retreat, losing FFr2.10 to FFr29 on expectations that it would report a wider loss after the close.

FRANKFURT retraced Monday's declines, the FAZ index rising 13.24 to 830.92 at midsession and the DAX closing 37.03 higher at 1,968.33. Volume rose from DM7.8bn to DM9.2bn.

Traders, rather than investors, were said to be driving the market once again, but several of the big international blue chips, which were hit especially hard on Monday, recovered only part of their losses. Daimler rose DM14 to DM936 after Monday's DM25 loss, Siemens DM11.10 to DM600.60 after a DM16.50 fall, and Deutsche Bank DM6 to DM815.50 after DM15.

The previously laggard chemical sector, heavily weighted in the DAX index, made up the difference, with Bayer DM6.40 higher at DM319.50 and BASF rising DM4.70 to DM313.30.

Retailers gained on the detail of the Bundesbank's monetary union proposals, Kaufhof ending DM34 higher at DM717 and Karstadt DM31 at DM723. Constructions, which are an illiquid sector, showed



even better gains, with Hochtief up DM119 at DM1,554 and Holzmann a staggering DM183, or 12 per cent, at DM1,668.

ZURICH showed a rise, from 581.6 to 588.4 on the Crédit Suisse index, but it did not do the business. Volume was thin, investors being dissuaded by high short-term interest rates impacting on bond yields and, through them, on equities.

Alusuisse-Lonza indicated the depth of the market's lethargy yesterday, when it said that it planned to delay the relatively modest rights issue which it had announced in mid-March; it cited unfavourable market conditions and interest rates.

AMSTERDAM showed its disappointment over insurer Amev's merger with Groupe AG of Belgium. The link-up was not only seen as potentially diluting Amev's earnings and not enhancing its considerable overseas operations, but had also taken away its attraction as a takeover target.

The stock fell Fl 2.30 to Fl 58.20 after being suspended on Monday, while fellow insurers Aegon rose Fl 1.50 to Fl 74.90 and NatNed firmed Fl 1.30 to Fl 74.90. The CBS tendency index added 1.3 to 115.7 in moderate trading.

BRUSSELS saw Groupe AG slump 11 per cent following its marriage with Amev, as it too lost its premium as a takeover candidate. In the forward market, Groupe AG fell BFr1,300 to BFr10,500.

The rest of the market, however, recouped some of Monday's losses, with chemical giant Solvay adding BFr375 to BFr13,600. The cash market index rose 12.19 to 6,104.17.

MILAN continued to find an appetite for Mr Carlo de Benedetti's stocks, while the test of the market was generally easier in thin trading. CIR, the holding company, rose L106 to L5,160 on reports that it would reduce the size of its already-announced capital increase, as well as on continued hopes of an agreement in the long-running dispute between Mr de Benedetti and Mr Silvio Berlusconi for control of the publisher Mondadori.

Olivetti surged L64 to L6,799 and reached L6,890 in the after-market on rumours that a foreign company, possibly Philips, might be buying shares. Analysts considered this unlikely, although they agreed that Olivetti would eventually seek a closer collaboration in Europe. The Comit index slipped 0.58 to 682.56.

MADRID held to its downward course, with the general index off 0.33 at 247.78. The index has fallen 18.2 per cent since its year's high of 302.85 on January 4.

STOCKHOLM and OSLO both rose in a technical reaction to Monday's losses but turnover was low.

ASIA PACIFIC

Stronger yen and bonds help Nikkei rebound

Tokyo

THE EQUITY market staged a strong rally just after the opening yesterday, spurred by the yen's recovery against the dollar and firmness in the bond market, *writes Martina Gannon in Tokyo.*

The morning gain was interrupted as stock futures dipped, but active buying sent the Nikkei average up again to finish well above Monday's level. The index closed at 28,759.72, up 757.65 points or 2.7 per cent – its seventh largest daily gain ever in points terms.

The Nikkei's see-saw started with a rise of 584, on active small-lot buying in the first half hour of trading, followed by a fall to the day's low of 27,678.18 – its first drop below the 28,000 level for 17 months – as initial buying interest waned. The bullish mood returned in the afternoon, however, as the market showed signs of bottoming out, brokers said. Broadly placed small-lot orders and arbitrage trading sent the index up to 28,791.21 at one stage, the day's high.

The more widely based Topix index also rose, adding 41.78, or 2 per cent, to 2,111.11. Later in London, the ISE/Nikkei 50 index eased 0.53 to 1,636.54. Volume was 650m shares, up from Monday's 450m. Declines outnumbered advances by 464 to 412, with 70 issues unchanged.

Bond prices firmed in the wake of the yen's recovery to the Y159 level against the dollar, with the yield on the benchmark 119th government issue closing at 7.285 per cent.

Electrical and high technology stocks were strong, with Sony climbing Y500 to Y8,100, Pioneer Electronic jumping Y450 to Y6,350, Canon rising Y210 to Y1,800 and NEC gaining Y170 to Y2,200. Pharmaceuticals also performed well.

In the afternoon, oils, minings and shippings came under selling pressure, with Nippon Oil dropping Y30 to Y1,010.

Constructions also declined, with Hazama-gumi losing Y30 to Y1,140, Dai Nippon Construction falling Y200 to Y1,700 and Komatsu Construction down Y150 at Y1,350.

On the second section, Nisshin Steamship lost ground as individual investors sold after a press report that buyers of the shipping company's newly allocated shares would be questioned in connection with insider trading. The stock closed at Y2,450, down Y340.

Across-the-board selling in Osaka sent the OSE down below the 30,000 level in the morning as players remained bearish after Monday's 1,942.82-point fall. Utilities, constructions, textiles, pharmaceuticals and foods tumbled. The OSE closed above its day's lows at 30,012.62, down 219.56.

Volume totalled 37m shares, down from Monday's 42m.

Roundup

PACIFIC Basin markets reacted half-heartedly to Tokyo's rebound. Most ended higher but turnover was thin and investors were sceptical that this was the start of a permanent recovery.

TAIWAN fell prey to profit-taking after Monday's positive reaction to the Government's bank privatisation plans. The industrial sector was broadly lower while financial stocks remained firm. The weighted index, which rose 407.62 on Monday, lost 44.49 to 11,119.00. Turnover fell to 1.25bn shares valued at NT$128.8bn after 1.33bn shares valued at NT$137.8bn on Monday. The banks due to be sold to the public continued to rise. Chang Hwa Commercial Bank rose NT$33 to NT$725, First Commercial Bank climbed NT$35 to NT$759 and Hua Nan Commercial Bank rose NT$26 to NT$796.

AUSTRALIA remained in the clutches of Tokyo, initially following Japan lower but then staging an afternoon rally. The All Ordinaries index closed 1.7 lower at 1,505.4 since natural resources and mining stocks came under pressure from the firm Australian dollar. Turnover was quiet, with 82m shares worth A$157m traded compared with Monday's meagre 57m shares worth A$132m.

ANZ fell further following its announcement on Monday that it was taking a controlling stake in National Mutual Life Association of Australasia. It lost 4 cents to A$5.18, bringing its losses in the last four sessions to 32 cents. Clyde Industries fell 10 cents to A$1.5 on news that Howard Smith had sold its 9.3 per cent stake in it.

NEW ZEALAND ended marginally better on increased volumes. The Barclays index added 7.71 to 1,713.83 and volumed rose to 7.7m shares worth NZ$11.7m, up from 4.9m shares worth NZ$7.8m on Monday.

Brierley Investments dominated trading, with 1.6m shares changing hands. The stock rose 3 cents to NZ$1.50. TV3, the country's only private television broadcaster, added 2 cents to 82 cents on news that one of its largest shareholders, National Mutual Life Association, had offered financial help.

HONG KONG rose on bargain-hunting after Monday's sell-off sparked by Tokyo and the rise in domestic interest rates. Property stocks were in demand. The Hang Seng index added 27.75 to 2963.45 but turnover dropped to HK$1.14bn from HK$1.20bn on Monday.

SOUTH AFRICA

JOHANNESBURG recovered from Monday's drop but closed off its highs after the Government announced security measures to contain black township unrest. Gold shares were mostly higher with Vaal Reefs rising R3 to R381.

Japan hangs heavy weight around the world's neck

By William Cochrane

JAPAN dominates the quarterly performance figures for the world's equity markets. After an uncharacteristic, 3.9 per cent rise in share prices for the last week of March, it still ended nearly 25 per cent lower over the three months, dragging the FT-Actuaries World index down by 12 per cent over the same period.

At the end of last week, Nomura International looked at a volatile and uncomfortable week in bonds and equities, and promised "more of the same" in April; Hoare Govett said, with some prescience, that "recent lows could be tested again soon;" and Yamaichi Securities was looking for a 23 per cent increase in net Japanese investment in overseas equities in 1990.

West Germany picked up again in March as domestic and overseas investors dreamt of the corporate fortunes to be made in eastern Europe, this time with a particular accent on the steel and engineering sectors. It closed the quarter with a rise of more than a 10th.

However, during that period it had to climb back from two periods of sizeable correction and consolidation. WI Carr, part of the Banque Indosuez group, observed last Thursday that this performance had ignored a fall of 20 per cent in the German bond market in the space of six weeks.

Austria, a much more highly geared investment in eastern promise, ran out of impetus last week and eased back a fraction; but with a three months' rise of more than 50 per cent under their belts, investors have been indulging in a little profit-taking.

London brokers Smith New Court note that the equity capitalisation of the market grew from Sch74bn in 1985 to Sch277bn in 1989, and the equity trading volume reported by banks soared from Sch10.2bn to Sch134.9bn in the same period.

The other big winner in Europe over the first quarter is Norway – where James Capel is beginning to sound concerned: "the market cannot buck international trends indefinitely," it says. The loser is Spain, where Hoare Govett reckons that the market is looking distinctly cheap, but also thinks that continued selling pressure on the banks may drag the index lower.

In the Pacific Basin, hopes for a recovery in New Zealand continue to be disappointed; Auckland stays depressed by Tokyo, the prospect that domestic interest rates will stay high and that economic growth is slowing.

Meanwhile, there is a two-way market in opinion on the US, a recession risk to some and a fairly valued safe haven to others.

The US has performed well against the world in the past week, month and quarter, but even Salomon Brothers, which likes the market, acknowledges that investors "remain highly sceptical."

MARKETS IN PERSPECTIVE

	% change in local currency † 1 Week	4 Weeks	1 Year	Start of 1990	% change sterling † Start of 1990	% change in US $ † Start of 1990
Austria	-0.84	+4.34	+124.98	+63.72	+49.76	+53.01
Belgium	-0.03	+8.79	+0.04	-6.28	-6.96	-4.95
Denmark	+0.48	+3.56	+34.03	+4.83	+4.61	+6.78
Finland	-2.33	-4.61	-11.99	+4.03	+2.56	+4.80
France	+1.45	+4.46	+18.98	-2.75	-3.02	-0.91
W. Germany	+2.11	+7.52	+48.23	+11.04	+8.94	+11.31
Ireland	+0.58	-0.26	+19.44	+1.93	+1.54	+3.74
Italy	+1.36	+2.52	+7.56	-2.60	-2.73	-0.62
Netherlands	+1.36	+5.22	+7.61	-2.83	-4.44	-2.36
Norway	-1.16	-1.64	+28.31	+17.33	+15.40	+17.90
Spain	-1.42	-7.95	-13.65	-16.60	-17.78	-16.00
Sweden	-1.16	-2.50	+6.24	-9.25	-10.17	-8.22
Switzerland	+0.32	-2.46	+11.13	-5.75	-4.80	-2.73
UK	-1.31	+0.71	+5.40	-7.29	-7.29	-5.28
EUROPE	+0.22	+2.44	+13.65	-2.70	-3.22	-1.11
Australia	-1.99	-2.68	+9.15	-6.08	-12.30	-10.40
Hong Kong	+0.68	+2.36	-2.46	+5.38	+3.08	+5.33
Japan	+0.91	-12.49	-14.80	-24.91	-32.82	-31.36
Malaysia	-1.75	-3.15	+38.63	-0.43	-2.73	-0.62
New Zealand	-0.02	-5.96	-6.46	-14.00	-17.91	-16.31
Singapore	+0.26	+0.75	+27.96	+8.51	+7.08	+9.40
Canada	-1.30	-2.06	+2.58	-6.71	-9.62	-7.66
USA	+0.80	+1.60	+14.46	-3.94	-5.98	-3.94
Mexico	-0.02	+1.63	+168.40	+22.22	+16.58	+19.39
South Africa	-1.04	+5.71	+32.75	+10.62	-5.15	-3.09
WORLD INDEX	+0.81	-3.61	+1.82	-12.02	-16.58	-14.76

† Based on March 30th 1990. Copyright, The Financial Times Limited, Goldman, Sachs & Co., and County NatWest Securities Limited.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of stocks per grouping	MONDAY APRIL 2 1990 US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	FRIDAY MARCH 30 1990 US Dollar Index	Pound Sterling Index	Local Currency Index	DOLLAR INDEX 1990 High	1990 Low	Year ago (approx)
Australia (81)	133.38	-1.7	121.24	117.28	-2.0	5.86	135.64	122.06	119.67	158.31	133.38	135.24
Austria (19)	263.90	+1.8	258.06	260.88	+2.0	1.06	278.78	250.87	245.84	285.63	198.15	113.91
Belgium (61)	145.24	-1.2	132.02	126.25	-0.8	4.45	147.02	132.31	127.26	160.02	132.11	130.88
Canada (120)	139.69	-0.6	126.98	118.30	-0.7	3.41	140.52	126.46	119.10	153.61	137.42	134.17
Denmark (36)	255.92	-1.1	232.63	225.99	-0.8	1.42	258.64	232.76	227.25	260.82	236.69	170.16
Finland (26)	138.16	-1.2	125.58	118.57	-0.9	2.57	139.82	125.82	117.65	152.29	130.39	151.28
France (125)	151.59	-2.0	137.80	136.19	-1.1	2.82	154.61	139.13	137.69	157.97	141.89	116.96
West Germany (94)	134.41	-2.4	122.18	119.00	-1.5	1.79	137.71	123.92	120.81	137.71	122.05	84.41
Hong Kong (48)	120.98	-1.9	109.97	121.20	-2.0	5.11	123.37	111.02	123.68	124.24	112.24	126.29
Ireland (17)	185.10	-1.7	168.26	165.70	-1.3	2.54	188.33	169.48	167.84	198.57	181.49	141.12
Italy (96)	96.96	-0.9	88.14	90.61	+0.0	2.55	97.82	88.03	90.61	102.11	91.85	81.53
Japan (454)	124.40	-8.2	113.08	124.89	-7.2	0.66	135.50	121.93	134.73	187.26	124.40	189.32
Malaysia (35)	221.29	-2.8	201.16	232.64	-2.6	2.28	227.62	204.84	239.06	245.32	221.29	163.18
Mexico (13)	386.97	+0.4	351.76	1171.97	+0.2	0.44	385.33	346.76	1169.94	409.41	324.53	166.89
Netherland (43)	137.14	-2.4	124.66	120.09	-1.5	4.67	140.49	126.42	121.89	145.66	130.43	117.62
New Zealand (17)	60.31	-0.3	54.82	55.29	-0.2	7.94	60.46	54.41	55.42	75.36	60.31	68.83
Norway (26)	229.37	-2.7	208.50	205.25	-2.2	1.63	235.63	212.05	209.69	245.90	202.34	178.34
Singapore (26)	188.82	-2.6	171.64	164.02	-2.6	1.81	193.86	174.46	168.36	199.38	179.70	144.11
South Africa (60)	180.87	-5.0	164.41	161.03	-4.3	3.67	190.46	171.40	168.22	251.39	180.87	140.04
Spain (43)	132.84	-3.0	120.75	109.59	-2.9	4.88	136.99	123.28	112.86	165.19	132.84	149.20
Sweden (35)	173.89	-1.3	158.07	156.12	-1.0	2.49	176.27	158.62	159.78	206.95	173.89	159.62
Switzerland (63)	88.98	-2.8	80.88	83.13	-1.9	2.36	91.50	82.34	84.78	98.12	88.75	75.24
United Kingdom (306)	147.21	-2.1	133.81	133.81	-1.1	4.92	150.32	135.28	135.28	164.31	144.69	146.05
USA (537)	137.01	-0.3	124.54	137.01	-0.3	3.51	137.42	123.67	137.42	145.40	130.61	120.64
Europe (990)	137.93	-2.0	125.38	123.40	-1.2	3.57	140.80	126.70	124.88	148.66	135.57	118.28
Nordic (123)	186.56	-1.4	169.60	160.74	-1.0	1.94	189.21	170.27	162.33	201.89	185.01	151.68
Pacific Basin (661)	124.63	-7.7	113.29	124.51	-6.8	1.02	135.06	121.54	133.65	192.75	124.63	184.48
Euro-Pacific (1651)	130.35	-5.4	118.49	124.91	-4.5	2.11	137.74	123.95	130.79	174.18	130.35	156.00
North America (657)	137.08	-0.3	124.60	135.80	-0.3	3.50	137.51	123.75	136.24	145.78	131.02	121.35
Europe Ex. UK (684)	130.57	-2.0	118.69	116.65	-1.2	2.74	133.26	119.92	118.12	135.73	124.81	101.02
Pacific Ex. Japan (207)	126.76	-1.8	115.23	115.49	-2.0	5.21	129.11	116.19	117.83	139.32	126.76	126.50
World Ex. US (1844)	131.30	-5.2	119.35	125.40	-4.4	2.18	138.48	124.62	131.11	173.77	131.30	157.00
World Ex. UK (2075)	130.80	-3.6	118.89	128.70	-3.1	2.40	135.74	122.15	132.89	162.00	130.80	142.61
World Ex. So. Af. (2321)	131.95	-3.5	119.94	128.94	-2.9	2.65	136.70	123.02	132.83	161.84	131.95	142.92
World Ex. Japan (1927)	137.67	-1.1	125.14	131.27	-0.8	3.59	139.20	125.27	132.30	145.52	135.25	120.65
The World Index (2381)	132.25	-3.5	120.21	129.16	-2.9	2.65	137.02	123.31	133.08	162.05	132.25	142.90

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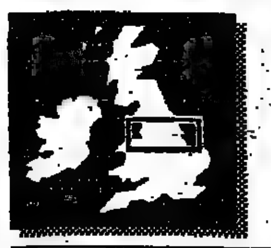
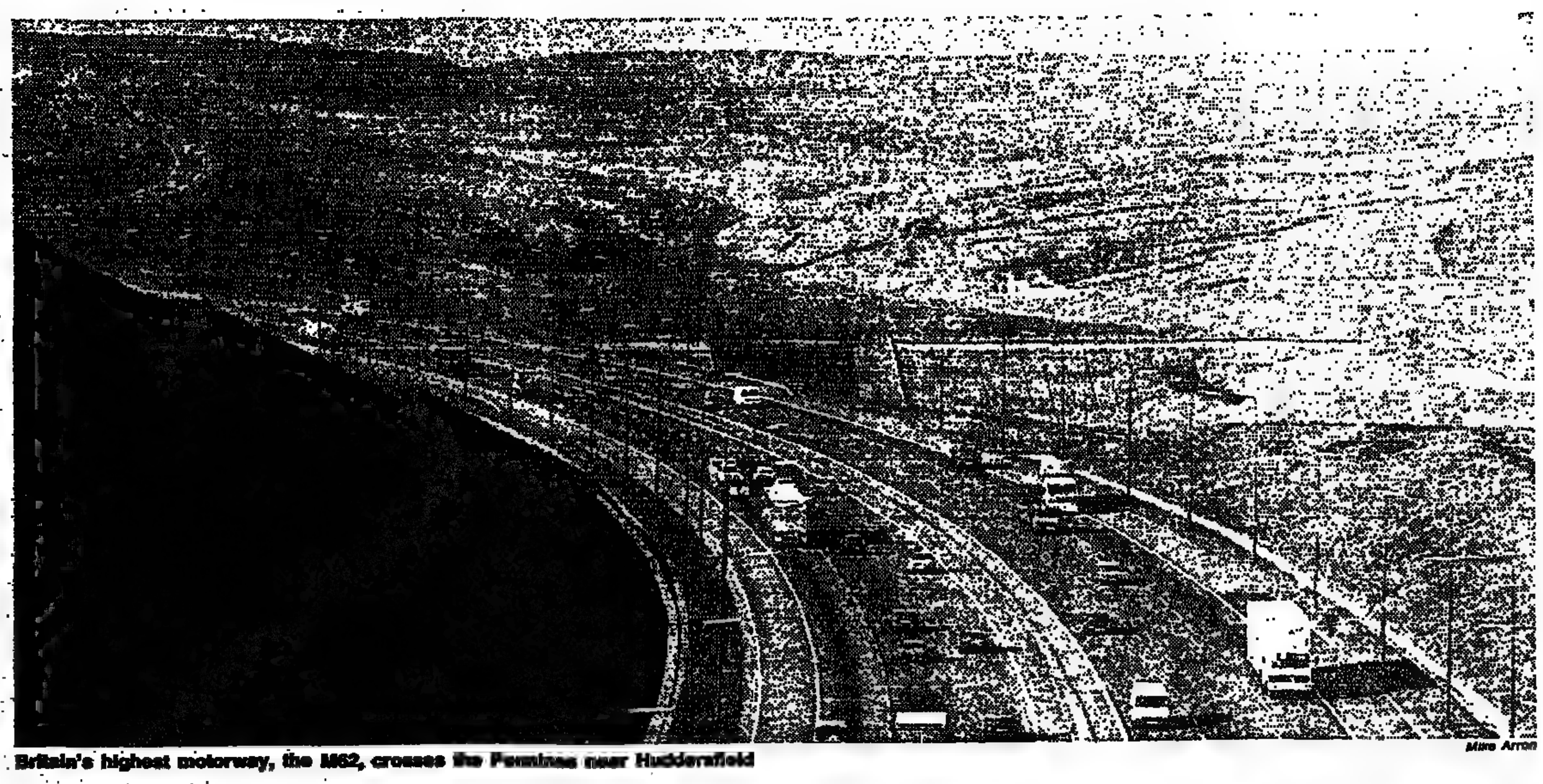
Latest prices were unavailable for this edition. Constituent changes 3/4/90: Name change: Mitsui Bank to Taiyo Kobe Mitsui Bank (Japan).

SECTION III

FINANCIAL TIMES SURVEY



Britain has been shaped by the links between London and "the provinces." But in less than one generation the M62 has begun to turn the north of England into another country, linked by the Humber ports with the rest of Europe. **Ian Hamilton Fazey** reports



Britain's highest motorway, the M62, crosses the Pennines near Huddersfield

Mike Arron

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Editorial production
Gabriel Bowman

Transpennine: The New North

The road to independence

EVIDENCE is mounting that a new economic super-region is emerging in England. It runs along and parallel to the M62 Transpennine motorway from Liverpool Bay in the west to the mouth of the Humber in the east. It contains the main northern conurbations of Merseyside, Greater Manchester, Leeds-Bradford, Sheffield and Humberside.

Nearly 12m people live there, with 5m more within its broader hinterland. It accounts for more than £63bn, or about 20 per cent, of British gross domestic product and a third of the UK's manufactured output, making it bigger than several individual European countries.

There are nearly 200 quoted companies with headquarters there, whose capital values range from £2m to more than £2bn, from newly-floated thrusting businesses to rock-solid blue chips.

In its most thriving parts, between the north-south arteries of the M6 in the west and the A1 in the east, the industrial and commercial aggregate is as strong as good concrete — a stable mix of large, medium-sized and small and smaller businesses, all stuck together by successful trading among themselves and with the rest of the nation and abroad.

The super region is a conjunction of two long-established regions, the north-west and Yorkshire and Humberside — basically the west and east Pennines, the lands owned and fought for by the medieval houses of Lancaster and York, symbolised by red and white roses.

It is emerging in its own right because of a combination of market forces and opportunities, the latter headed by one single event — the completion of the M62 motorway in the mid- 1970s.

Only 21 years ago, few believed a road could make so much difference. The highest motorway in Britain, it was then being built across virgin territory, nearly 1,500 feet up in the Pennines.

The crucial point has been the all-weather link it has provided between the city centres of Manchester and Leeds, reducing travelling time to about 40 minutes in most conditions. All normal trunk roads are twisting, time-consuming, and — intermittently and unpredictably — closed by snow in winter. The M62 has been closed by the weather only once since it opened.

The implications of ensuring such a reliable link between Lancashire and Yorkshire go wider than local convenience. It is no accident that nearly a fifth of Britain's distribution, hotels and catering sector is now in this Transpennine belt.

Warrington in Cheshire and Wakefield in Yorkshire — where the M62 is crossed by the M6 and M1 respectively — have become the road distribution crossroads of England. Halifax and Huddersfield, on the M62 and in the middle of the Pennines, have become national, strategically important centres.

Given this opportunity of new infrastructure, market forces have done the rest. The north suffered after the oil shocks of the 1970s and the recession of the early 1980s, but the restructuring that has followed has seen the M62 greatly exploited.

The rise of Manchester Airport — now approaching 11m passengers a year and the fastest growing airport in Europe — has been another exploitable asset. Other positive forces have been relatively low prices for land and buildings and affordable labour, much of it skilled.

There has also been a spin-off benefit from negative factors elsewhere. The south has become overcrowded, expensive, congested and stricken by labour and skill shortages. Some skills are short in the north, but the problem is not nearly as acute as the south-east's. Large relocations by government departments planned for the next few years emphasise the point.

There are traditional, cultural differences and rivalries between the old red and white rose regions, but not as many as between the north of England and the south. The common bond is northernness, the common link, now, industry and commerce, physically joined by a motorway.

In Britain, this is nothing less than revolutionary, for nearly all links in the past have been predominantly north-south, terminating at London. The links between the capital and the north-west and Yorkshire diverged, denying common cause, and fostering a *political divide-and-rule* approach exploited by successive governments.

Suddenly, a new northern economic alliance has started to emerge. Mr John Watson, former Conservative MP for Skipton and now the main shareholder in Murray, Maltby, Walker & West, a group of marketing services companies in Leeds, says: "The question was whether the M62 has given us a corridor or two flights of steep stairs. In my view, there is no logic in a divide between the east and west Pennines any more."

He sees economic strength growing as a result of more local decision-making on investment and trade by large numbers of quoted companies with head offices in the new region.

He also sees a growing thrust of commerce from west to east, using the emergent Humber ports. These already handle twice as much freight as is planned for the Channel Tunnel.

"Crossing the Channel is easier than crossing the Thames," Mr Watson says. This pinpoints a strong commercial argument for further development along the M62 corridor because of easier access to the east coast.

Mr Nigel Keenlyside, of Murray Luckett Communications, says: "There are busy times but there are no real jams because traffic keeps moving. When you go down the M1 there is a traffic jam from Watford gap southwards."

The argument seems already to have been accepted by several Japanese inward investors. Among the most recent, Citizen has favoured Scunthorpe for its computer printer factory and Pioneer has opted for Wakefield as the place to make its compact and laser discs for EC consumption.

Domestic companies started to take advantage of the new infrastructure in the 1970s and 1980s. The Hull-based Northern Foods has exploited the M62 from the moment the first sections opened. It has now built many of its activities along it and even regrets opening a plant down the A1 at Grantham because of labour shortages there.

Mr Brian Kemp is chief executive of Simon Engineering, which has its headquarters in Stockport, near Manchester Airport. He says: "People did not realise 20 years ago how the M62 would change the north of England. Undoubtedly it has been a large factor in Simon's development, which has been helped enormously by communications.

"We are very widely spread geographically but in terms of our physical location in the UK we are mainly northern and north-western, with little south of Birmingham. We are building up operations at Immingham, which we could not have done easily years ago. We are now dotted all over the Transpennine *motorway* network.

"Indeed, once you get away from the crowded south-east you find up here an extremely good infrastructure to serve not just the UK but, more important, the international market. We have people going through Manchester Airport on a daily basis, all over the world."

The business is technically oriented, serving the process industries. The heartland of its markets in terms of industries and skills is the north, where the company started. "We need to be close to the skills base to get graduate engineers," Mr Kemp says, citing an educational pool that includes 11 universities and five polytechnics in the Transpennine belt or near it.

The general enthusiasm for the Transpennine economy is not untempered. Mr John Hicks heads Wescol, a growing quoted company with £26m of sales and 140 people. It is in structural steel framework and cladding for buildings, with an associated stockholding operation. Based in Halifax, it was floated last year.

"If a Transpennine region is emerging, it has to be driven by the economy," he says. "Land, money and people are all available. Economic opportunity will encourage people to come in. You can also serve the whole country from almost anywhere in the M62 corridor, as we have proved.

"Our worry is that the M62 will get clogged up. We know all about traffic problems on the M1 and A1 because 60 per cent of our market is in the South, and we don't want to *have traffic jams stretching* back to the factory gates.

"Fortunately, the north is also very active, especially Manchester and Leeds. But could we have done it in, say, Basingstoke? We would have faced four times the cost of setting up and struggled perpetually with skill shortages."

Mr David Naylor, senior partner of Grant Thornton, the accountants, says that price advantages are being eroded as growth is stimulated by market forces.

"The M62 has broken down the mountains and there is pressure now on space. Rentals

Continued on Page 10

Ian Hamilton Fazey analyses the structure of business and finds a widely-based diversity

Stable industrial mix has 189 quoted companies

TRANSPENNINE QUOTED COMPANIES (over £50m capitalisation)

Sector / company	Location	Market capitalisation £m	Sector / company	Location	Market capitalisation £m
Banks, HP, leasing			Nu-Swift Industries	Elland	208.4
Provident Financial	Bradford	194.1	Spring Ram	Halifax	205.2
Beer, wines & spirits			Barry Wehmiller Intl	Altrincham	132.7
Greenall Whitley	Warrington	390.3	Henry Barrett	Bradford	125.5
Boddington	Manchester	130.0	Johnson Group	Bootle	110.1
Building, timber, roads			Eurocopy	Wakefield	106.4
AMEC	Manchester	296.7	Bridon	Doncaster	94.7
Persimmon	York	122.0	Brammer	Altrincham	84.1
Marshalls	Halifax	118.9	Whitecroft	Wilmslow	83.6
Heywood Williams	Huddersfield	114.9	Peter Black Holdings	Keighley	69.2
Birse Group	S.H'berside	90.5	Fenner	Hull	63.8
The Ward Group	Malton	78.9	Bodycote Intl	Manchester	51.8
Polypipe	Doncaster	77.1			
Vibroplant	Harrogate	65.8	**Insurances**		
Chemicals, plastics			Royal Insurance	Liverpool	2,265.3
Allied Colloids	Bradford	399.5	Refuge	Wilmslow	317.7
Croda International	Goole	230.0	**Leisure**		
Hickson International	Castleford	206.9	Kunick	Leeds	112.4
Ellis & Everard	Bradford	126.9	Yorkshire Television	Leeds	79.5
MTM	Yarm	100.9	Stanley Leisure	Liverpool	62.5
BTP	Manchester	86.1	**Commercial vehicles**		
Yorkshire Chemicals	Leeds	69.6	Plaxton	Scarborough	59.8
Wardle Storeys	Yearby	66.8	**Garages & distributors**		
Drapery & stores			Appleyard Group	Harrogate	59.4
Coats Viyella	Manchester	710.1	**Newspapers, publishers**		
Fine Art Developments	Bradford	176.5	Trinity Intl	Chester	98.7
Empire Stores	Bradford	49.9	**Paper, printing,**		
Electricals			**advertising**		
FKI	Halifax	298.2	John Waddington	Leeds	124.6
Ferranti Intl	Manchester	291.9	Watmoughs Holdings	Bradford	79.9
Farnell Electronics	Leeds	191.9	**Property**		
Scholes Group	Manchester	57.1	Mountleigh	Pudsey	300.4
Engineering			Peel Holdings	Manchester	157.4
Simon Engineering	Stockport	236.2	Bradford Property Trust	Bradford	153.5
Johnson & Firth Brown	Manchester	74.2	Town Centre Securities	Leeds	72.1
Carclo Engineering	Leeds	53.9	Evans of Leeds	Leeds	66.6
Food, groceries, etc			**Shoes & leather**		
ASDA Group	Leeds	1,300.9	Stylo	Bradford	57.9
Northern Foods	Hull	638.6	**Textiles**		
Wm Morrison			Readicut International	Brighouse	101.1
Supermarkets	Bradford	301.2	Allied Textile Companies	Huddersfield	100.1
Iceland Frozen Foods	Deeside	217.1	**Transport**		
Hotels & caterers			Ocean	Liverpool	381.5
Mt Charlotte Inv	Leeds	559.0	Manchester Ship Canal	Manchester	100.0
			Mersey Docks	Liverpool	84.6
Industrials (misc)			**Finance, land, etc**		
Pilkington	St Helens	1,607.0	York Trust Group	Leeds	69.5
Hepworth	Sheffield	521.1	**Water**		
T & N	Manchester	503.0	North West Water	Manchester	1,098.7
BBA Group	Cleckheaton	348.7	Yorkshire Water	Leeds	620.8
British Vita	Manchester	314.3	**Overseas traders**		
Scapa Group	Blackburn	243.6	Patterson Zochonis	Liverpool	83.1

Sources: BWD Rensburg, Charterhouse Tilney, Henry Cooke Lumsden

THERE ARE now 189 quoted companies with headquarters in the Transpennine region. Market capitalisations range from £2bn down to £2m. Almost alone, the figure gives the lie to the notion that the north of England is a branch economy, run from London and the south-east.

Moreover, the quoted companies are the tip of the iceberg, for the two economic regions of the north-west and Yorkshire and Humberside have enough industry and commerce to produce about 20 per cent of British gross domestic product, suggesting a broad spread of activity.

The north-west's is the bigger economy; it was worth nearly £36bn in 1987 – the biggest regional contribution to GDP outside London and the South-East. Yorkshire and Humberside's £27.5bn was third after £29bn from the West Midlands.

In manufacturing alone, the Transpennine regions account for 21 per cent of British output. They even have 14 per cent of Britain's financial and professional services and 19 per cent of the distribution, hotels and catering sector.

In European terms, this is big stuff, with the scale of economic activity outstripping that of individual countries. Greece's economy, for example, is about the size of the north-west's.

The quoted companies are visible evidence of considerable economic self-determination, but largely unseen is a huge mass of unquoted, private companies – although the biggest is as visible as any because it is Littlewoods, the Liverpool-based retailing, betting and financial services group, which has annual sales of over £2bn.

One public limited company is not quoted, because the Government owns all the shares. It is British Nuclear Fuels which turns over nearly £1bn and employs 15,000 people.

However, it typifies the multiplier effect these giants have, supporting another 70,000 jobs among suppliers all over Britain. Many of these are in small, high technology businesses clustered around Warrington, where BNF is headquartered. Other, smaller businesses live off trade with them.

WHERE THE QUOTED COMPANIES ARE

Location	In city	Hinterland	Total
Leeds	31	11	42
Bradford	24	2	26
Sheffield	20	6	26
Hull	9	6	15
N. Yorkshire	-	14	14
Halifax	5	3	8
Huddersfield	4	1	5
TOTAL YORKS & H'SIDE			136
Manchester	21	18	39
Liverpool	8	6	14
TOTAL NORTH-WEST			53
TOTAL TRANSPENNINE			189

Sources: BWD Rensburg, Charterhouse Tilney, Henry Cooke Lumsden

Most of the unquoted companies, however, are smaller fry, turning over between £5m and £10m a year and making up to £1m a year in pre-tax profits. It is among these that a growing band of merchant bankers and other professionals are moving, looking for floaters, buyers and sellers.

A closer look at the quoted companies tells much. The four biggest – Royal Insurance, Pilkington, Asda, and North West Water are each capitalised at more than £1bn.

The next six – Coats Viyella, Northern Foods, Yorkshire Water, Mount Charlotte Investments, Hepworth, and T & N – are in the £1bn to £500m range.

The spread is wide: Manchester has three of the big 10, Leeds three, Merseyside two, and Sheffield and Hull one each. The activities are almost equally diverse: financial services, glassmaking, retailing, utilities, textiles, food, hotels and catering, ceramics and building products, as well as mining and engineering.

The spread and breadth continues as the 189 companies are examined. No sector of commercial activity is unrepresented and a pyramid structure emerges. There 18 companies capitalised in the £500m to £200m range, 20 at £200m to £100m, 28 at £100m to £50m, 46 at £50m to £20m and 67 below that.

The geographical spread is an interesting comment on attitudes, however, for 136 of the quoted companies are on the Yorkshire side of the Pennines, in the smaller regional economy. The spread is almost equal among bigger companies but the bias towards Yorkshire increases as size of business decreases.

West Yorkshire – which includes Leeds, Bradford, Halifax, Huddersfield and their environs – has 81 of the 136.

However, it may be misleading to group the data in this way. Since Manchester and its surrounding towns have 39, ranking second to Leeds, it follows that the central portion of the Transpennine belt – from the M6 at Warrington to the M1 at Wakefield – contains 120 quoted companies, or nearly two-thirds of the Transpennine total.

The entrepreneurial culture behind this helps explain the greater diversity and buoyancy of the central portion of northern England, as well as the consistently high confidence shown in recent surveys of the regional chambers of commerce covering Greater Manchester and West Yorkshire.

Conversely, the picture for the more peripheral parts of the region – where there is a smaller proportion of smaller businesses to big ones – is relatively gloomy. Liverpool has only eight quoted companies and another six in its hinterland, which includes Chester and Welsh Deeside, where the M56 ends.

Moreover, they include giants like Royal Insurance and Pilkington, which do not add much to entrepreneurial culture by example at grass-roots level.

However, the crucial question for the north is where corporate planning decisions are made – and there is no doubt where the vast bulk of the other Transpennine quoted companies have their boardrooms.

The people in charge live locally and have a stake in both the economic and broader communities. In bad times, factories are easier to close if they are distant places. The reverse is true if chief executives live where they are going to cause unemployment. Conversely, this has profound implications for investment and commitment to ideas such as the Transpennine one.

With clusters of quoted companies in Yorkshire's M1 and A1 corridors – 20 in Sheffield, six more in South Yorkshire, 14 in North Yorkshire or Cleveland – there would appear to be natural eastward shift in outlook.

At the same time, the vast bulk of the quoted and private companies – shunned by London firms that consider them too small – have become self-sufficient in financial and professional services.

With a growing economy worth more than £63bn and a national traffic jam to the south, self-sufficiency could well become even deeper, especially when growing traffic between the Humber ports and the rest of Europe testifies to the ease of reaching non-domestic markets.

UNEMPLOYMENT

Older towns still struggling to wipe out blackspots

IN SPITE of big improvements everywhere, unemployment remains the overriding socio-economic problem of the Transpennine regions, with more than one in eight men still out of work in several towns and cities.

The contrast is with the market towns of North Yorkshire and not dissimilar places such as Macclesfield in Cheshire. These are areas where well-heeled people want to live and new high technology companies or managers want to operate. Several of them are enjoying full employment.

In between these extremes, there is a gradient of improvement in joblessness. Larger, older urban areas struggle down it, struggling to catch up with less populated, semi-rural districts, sometimes next door to them.

Unemployment extremes in February 1990

Travel to work area	Male rate %
The worst: 1 in 8 or more	
Liverpool	19.5
Rotherham & Mexborough	16.7
Whitby	15.8
Wirral & Chester	14.5
Doncaster	14.1
Barnsley	14.1
Wigan & St Helens	13.8
Sheffield	12.5
The best: 1 in 20 or less	
Clitheroe	2.7
Settle	3.5
Pickering & Helmsley	3.7
Malton	3.9
Harrogate	4.2
Skipton	4.2
Ripon	4.4
Macclesfield	4.5

Source: Department of Employment

Overall, the unemployment problem has not been solved, however good the national and even regional figures now look. The rate for Yorkshire and Humberside in February was 6.8 per cent; that for the north-west 7.5 per cent. These figures looked only slightly worse than the national rate of under 6 per cent, so it is easy to assume that things are better than they really are.

However, the grouped data from each side of the Pennines hide a great deal. The north-west's figures, for example, include Cumbria, which is not even part of the region for many other government statistics, but the "standard north," based on Tyneside. Cumbria's unemployment is negligible in most parts, with a worst male rate of only 9.6 per cent, in Workington.

As the overall figures necessarily include both men and women, this makes it easier to disguise the depth of the problem faced by some areas. Not all women try to work, but those who are unemployed and married do not even appear on the register, thus hiding the extent of their plight.

The surer indicator of unemployment is therefore the male rate. The best and worst are shown in the table. These do not take into account self-employment, which has been increasing everywhere in recent years, but the numbers involved remain small and tend to be more concentrated in the better-off areas anyway, where the local economic base is usually broader.

Economic structure seems to be the main determinant of unemployment and an area's capacity to deal with it locally. Merseyside's remains the worst problem, not just because of the size of its male unemployment rate in Liverpool, but because of the sheer numbers and concentration of people involved. The figure is now below 100,000 in total, but remains daunting.

The loss of nearly 3,000 jobs at Ford Halewood, announced last week, is an example of how easy it is to wipe out the gains of months, sometimes years. Even though they will be shed over several years and mainly by natural wastage, the total stock of jobs will decline unless there are continuing and prodigious efforts to replace them.

That struggle is hardest where the economic base is narrowest. Merseyside was based on too few industries and its economy revolved anyway around shipping and its port, both in decline as job generators as they became capital-intensive operations.

The car industry brought in to replace lost jobs has been going the same way in terms of needing fewer men for greater output. The same has proved true in the steel and coal industries of Yorkshire and Lancashire, as well as in the glass industry of St Helens and the food processing industry on Humberside.

Unemployment therefore remains – structurally caused and in need of structural solutions – in Merseyside and South Yorkshire, the counties where all but one of the worst eight blackspots are. Half of one blackspot – Wigan – is lumped with St Helens, a Merseyside borough, while the other – Whitby – has to live off the seasonal vagaries of fishing and tourism, so its problem is structural too.

Indeed, the west coast fishing port of Fleetwood is little better off. It is in the Blackpool travel-to-work area, which in February had a male unemployment rate of 11.8 per cent. This was three percentage points better in August, when tourism created its usual temporary jobs, but this also points up the structural nature of joblessness in the north.

Where the situation is better and has been generally improving faster is in the most economically diverse parts of the Transpennine region. This is where most of the quoted companies are clustered and where there is the greatest concentration of smaller and medium-sized private businesses.

As unemployment remains structurally caused, there is a need for structural solutions

Research in Manchester and Liverpool by Investors in Industry (3i), the investment bank owned by the main clearers and Bank of England, has already shown that it is the smaller and medium-sized businesses that foster entrepreneurship.

They provide *de facto* on-the-job training in both problem-solving and leadership for people at supervisory level. These people have been shown to be the most likely then to set up on their own, creating more jobs and widening the economic base.

It therefore follows that the more economically diverse an area is already, the more diverse it is likely to become and the lesser is the likelihood of its suffering protracted unemployment problems.

Great effort and resources have therefore been put into the less broadly-based areas to encourage enterprise and training, notably by job-creation subsidiaries of British Steel and British Coal or directly by Pilkington, the glass-maker.

But many involved accept that it may in some places take a generation or longer to develop the critical proportion of smaller businesses for the job-creation process to reach the self-generating capacity of some parts of Greater Manchester or West Yorkshire, which are the most entrepreneurial areas.

Within this overall picture, certain things stand out, however. The fall in unemployment in Calderdale – which includes Halifax, Elland and Sowerby Bridge – has been steeper than elsewhere and the male rate was down to 8.3 per cent in February.

The difference can only be attributable to the extraordinary efforts of the Calderdale community, which in 1987 started a formal partnership of business and civic leaders, supported by Business in the Community and Prince Charles, its president. All involved have for most of the time pulled as one to attract new jobs and encourage local enterprise.

Sheffield has also set up a similar partnership. Although it still has a big problem, it is improving. Blackburn's partnership also seems to be having an impact; the male unemployment rate there was down to 10.5 per cent in February from 11.7 per cent a year before.

The contrast is with Merseyside where, despite great efforts to foster partnership and develop a better image, political battles are always fought in public with maximum damaging rhetoric and displays of class sectarianism.

Common purpose does seem to have made a noticeable difference in the areas where it has been developed. Is there then a lesson in this for the Transpennine region generally, especially when it comes to impressing foreign inward investors, who are at present faced with fiercely competing claims from different parts of the region?

The jobs they bring, coupled with the infrastructure of local supply they then encourage, are already doing much to develop broader, stabler, local economic bases, with consequent impact on unemployment.

Ian Hamilton Fazey

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The Genesis Centre in the Birchwood Science Park, Warrington, caters especially for small businesses

Mike Arron

Martin Regan looks at the rise of Wakefield and Warrington

A tale of two crossroads

THE SPEED and scale of economic development in both Wakefield and Warrington have to a large extent been the result of location. Both towns are sited on major motorway crossroads – in Warrington's case, where the M6 crosses the M62 and in Wakefield's where the A1 meets the M62 and the M1 from London terminates.

For those involved in distribution the attractions are immediately obvious. More than 50 per cent of Britain's population can be reached from either town in a single day's driving.

Less obvious has been the potential for the service sector. Yet good motorway lengths especially when, as with Warrington, they facilitate a 30-minute journey to an international airport, have attractions for companies involved both in sales and product servicing.

The attraction of this otherwise unremarkable town to industry

Warrington's marketing strategy has been firmly based on its communications. If the town's claim to be "Britain's most central location" is geographically dubious, it serves to illustrate the ease with which the west and east coast ports, Manchester airport, the South and the Channel ports can be reached.

Most of the industrial activity has taken place in Warrington New Town, a first generation development corporation designated in 1968. Since then, together with the neighbouring town of Runcorn, over 13m sq ft of industrial and commercial floor space has been completed and over 1,000 new companies attracted.

Most of this growth came after 1981 when the Runcorn Development Corporation was dissolved and its assets merged with Warrington Corporation. The main strategy has been to see both towns as centres for distribution and manufacturing but, while Runcorn has been comfortable with this, Warrington has increasingly looked to new technology industries.

There are eight business parks in Warrington, which represents one of the highest concentrations of such space in the north-west. The range of companies within the New Town emphasises the attraction of this otherwise unremarkable town to industry increasingly concerned about communications.

Coca Cola-Schweppes beverages, Goodyear, Guinness and Securicor stand side by side with BNFL, Sanyo, Mercury Communications, which has its northern headquarters here, and Digital Equipment.

Digital's £20m investment, announced last year, underscores the area's long-term European potential. The company had been widely expected to choose Manchester as its base. Eventually its new Warrington offices will employ 1,000 people. Mr Geoff Turton, the company's northern regional director, says Warrington's infrastructure was the critical factor in the company's decision.

"The new offices are part of the sales and support operations for the north and obviously good communications are vital. We have manufacturing capability in Scotland and Warrington seemed the right area from which we could cater for northern logistics.

"Last year, our exports to Europe were over £550m so the presence of Manchester airport was an added bonus."

Warrington and Runcorn New Town is now administered by the Commission for New Towns but the overall marketing strategy is unlikely to change. As the local authorities of Halton and Warrington gradually assume control of the areas, an element of competition is likely to surface.

Mr John Leigh, who heads the CNT's team in the New Town, says he expects manufacturers to concentrate on Runcorn, which has assisted area status while Warrington will see its hi-tech base expanded.

"We are still pursuing the general policy of gateway centre and the number and quality of inquiries is holding steady," he says.

At Wakefield, 10 minutes from Leeds, location has needed to stand without the help of a development corporation. Growth has therefore been slower than in Warrington, but as the centre of gravity of Transpennine trade shifts east, the area has perhaps the greater potential.

The traditional dominance of British Coal has produced a dependent economic culture. The decline of the mining industry with the loss of 12,000 jobs gave the area an unemployment rate usually associated with inner cities. Jobs lost at the pithead simply could not be replaced.

Three years ago, the council created an economic development unit to redefine Wakefield's future. Chief economic development officer Ms Annie Faulder says the move was the only way out of growing helplessness.

"We had no image, no strategy and no idea how to develop our natural assets. Wakefield was starting to be seen as an embryonic distribution centre, but it needed work," she says.

The location became the message. Wakefield 41, a huge industrial estate by Junction 41 of the M1 was seen as the main weapon in the fight to attract investment.

The proactive stance of the council was first rewarded in 1988 when Coca-Cola Schweppes Beverages announced plans to build a £19m bottling and distribution plant. The company then decided to increase its total investment to £60m by building a new soft drink production facility.

Coca-Cola has been followed by others, most notably William Morrison Supermarket, which is developing a distribution centre on a 77-acre site.

The latest and perhaps most significant success came this year, when Pioneer Electronics of Japan decided to invest £30m in its first UK manufacturing plant. The plant, on a 30-acre site near Castleford, will create 500 new jobs.

The new company will initially produce 10,000 compact disc players a month, rising to 50,000 by 1994. The second stage if the development will cater for the production of laser disc players and car stereo components and will create a further 700 jobs.

Ms Faulder says the three-month campaign to attract Pioneer has been "exhausting. We were working throughout Christmas Eve and Christmas Day, sometimes until midnight, waiting for phone calls," she explains.

The council has set up a Resource and Technology Centre in Castleford to provide the local labour force with high technology manufacturing training.

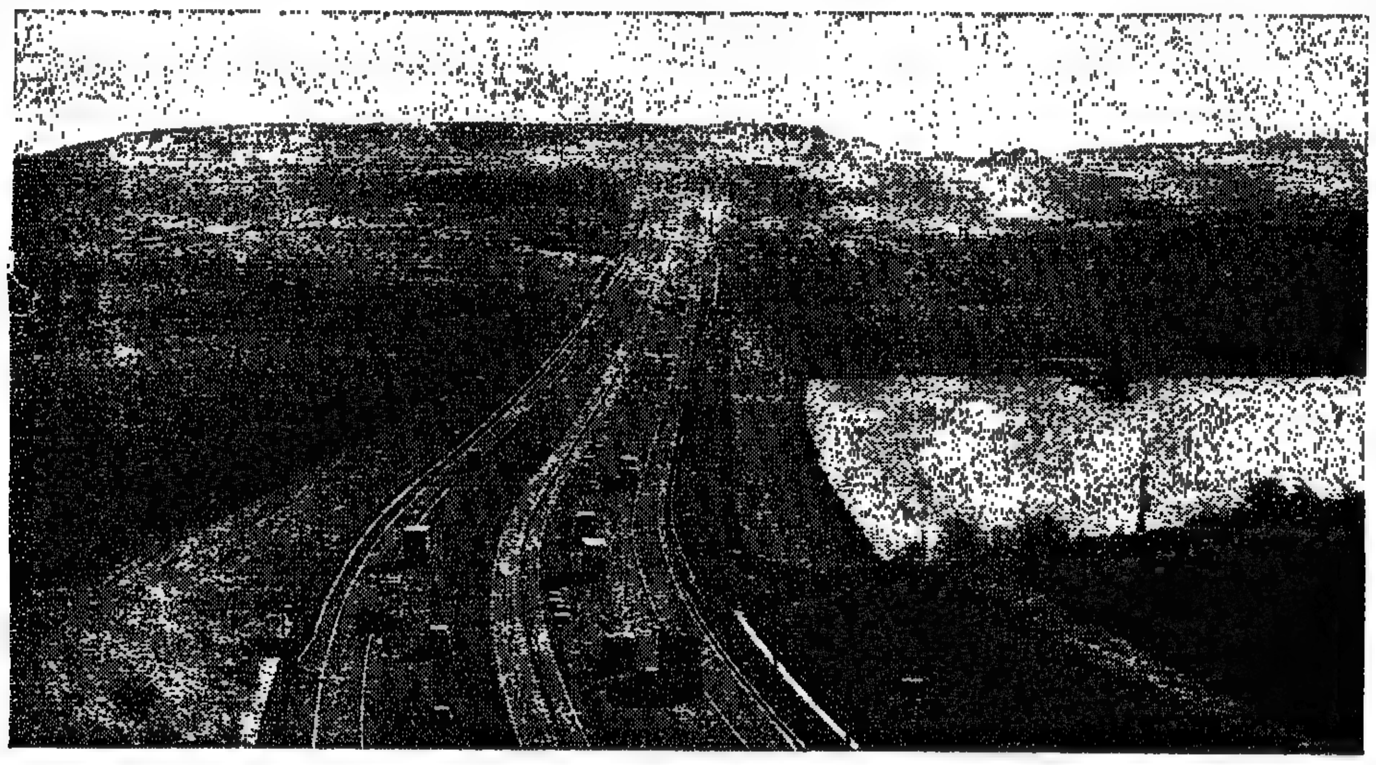
However, the unit is keen to distance itself from the impression that Wakefield's economic strategy is simply about inward investment. Mr Tony Ray, the deputy chief economic development officer, says that encouraging a small business culture is vital.

"There has to be self-generation of employment. We can't rely for ever on inward investment and we don't want to have just a collection of warehouses."

Wakefield's future had to be redefined. The location became the message.

The area's first business park is now being developed on the Wakefield 41 estate and a partnership agreement to look at further development opportunities has been signed with Manchester-based Amec Regeneration. The borough is also lobbying hard for the regional rail freight centre, but Leeds is regarded as the favourite location.

If Wakefield does lose out, there will need to be some reassessment of its long-term strategy, but the growth in trade to and from the Humber and Mersey ports suggests that being at a motorway crossroads will continue to be a valuable economic asset.



Weekend respite for the M62, as it crosses the Pennines near Huddersfield

Mike Arron

THE ROAD NETWORK

Search for new routes to ease burden on the M62

THE INDUSTRIAL history of Northern England has been shaped by its internal trade routes. The Leeds-Liverpool and Manchester Ship Canal and, latterly, the M6 and M62 have played a crucial role in forming the great industrial conurbations of Lancashire and Yorkshire.

If the concept of a new economic Transpennine region is to be more than simply a manufactured idea, then the region must be defined by its communications network in general and its motorway network in particular.

The natural barrier of the Pennines has made attempts to link Yorkshire and the north-west expensive and uncertain. However, there is a deep-seated belief that closer links are in the interests of both regions and that these will best be achieved by road rather than rail.

Although the rail links between the two regions are of a generally poor standard, the Transpennine region is defined by trade – and trade travels by road.

The M62, which connects to the docks via the M57 on the outskirts of Liverpool and via the A63 at Hull, is the major Transpennine artery. Yet it was built 20 years ago, when the long-term decline of the Mersey and Humber ports seemed inevitable and when the centre of Yorkshire economic power was in Sheffield rather than Leeds.

Today, certain sections of the motorway are busier than the M25, with traffic volume of 130,000 vehicles a day. The traffic eases as the road crosses the Pennines, but there are still 70,000 vehicles travelling over the highest point at Windy Hill.

The importance of the road as a trade route can be seen from the fact that 25 per cent of its traffic is freight, compared to a national motorway average of around 15 per cent. Anyone who has driven the route during rush hour, hemmed in by convoys of slow-moving lorries, will not find these figures surprising.

The Department of Transport now recognises that the motorway is overburdened and has a number of schemes to improve traffic flows. These were included in the report published earlier this year, "Trunk Roads – England into the 1990s" which followed the White Paper "Roads for Prosperity."

One of the main proposals is to create a new link road between the M1 and the M62 near Huddersfield. This would allow northbound traffic on the M1 to bypass Leeds.

The busiest stretch of the M62, between junctions 18 to 24, is to be widened to four lanes in each direction. The proposed £300m Greater Manchester Western and Northern Bypass, linking the M6 with the M66, would relieve traffic around the most congested areas of the motorway in east Manchester.

Even so, the M62 remains vulnerable to overcapacity – traffic volumes are expected to increase by 140 per cent over the next 35 years – and to the vagaries of weather. In the depth of winter, crossing the Pennines can be hazardous and often impossible.

The alternatives are non-existent. The only other true Transpennine route is the A56 Snake Pass, a link between Manchester and Sheffield which was designed by the engineer Thomas Telford as one of the last private sector toll roads. The road is regularly closed to traffic during the winter.

With such restrictions on east-west travel, the pressure for a new Pennine crossing is mounting. Advocates see any new route as one which will create a new corridor of prosperity and the strongest supporters are those local authorities which will be part of this corridor.

The black hole of lack of knowledge about traffic movement

Earlier this year, the DoT, bowing to pressure from Transpennine lobbyists, appointed consultants, transportation planning associates, to study the adequacy of existing crosspennine routes.

There are three basic options for a second crossing: a new motorway from Manchester to Sheffield, perhaps along the line of the A56; a link between Penrith and Newcastle; and an extension of the M65 from Blackburn to Skipton or Leeds.

Each has its advocates, though within the context of the Transpennine argument only the latter two routes are of real significance.

A new Manchester-Sheffield motorway would, on the face of it, both solve problems of congestion and provide a much-needed link between the two cities. However, the political consequences of driving a motorway through the centre of the Peak District's National Park do not bear thinking about.

The cost would also be prohibitive. There is a disused Sheffield-Manchester rail tunnel under part of the Peak Park which could be utilised, but the motorway would generally run against the natural watershed of the hills and therefore require expensive engineering solutions.

The most obvious route is to extend the M65, from Blackburn to Burnley, across the Pennines. This would have the advantage of following natural valleys and avoid widespread environmental damage.

Many see such a motorway as the first phase of a Chester-Grimsby route, which would link the M56 in Cheshire with the M180 in South Humberside.

However, the proposal to link the existing section of the M65 with the M6 in the west has just completed its public inquiry stage. Ominously for the planners, conservationists objected on the basis that this extension would lay the foundations for an unacceptable crossing of the Pennines.

The local authorities of Preston, Blackburn and Burnley and Lancashire County Council are all in favour of a crossing, but Pendle remains uncertain, arguing that better use of resources would be made by upgrading existing roads.

Mr David York, a senior DoT engineer, is keen to emphasise that the Transpennine study is more than a matter of counting traffic. One of the major problems is to discover where the traffic comes from and where it is going.

"The emerging findings suggest that there is a tremendous black hole as far as knowledge of Transpennine traffic movement is concerned. Because there are various options, if a new route is needed, we have to increase our knowledge," he says.

"If most traffic comes south up the M1 and across the M62 to Manchester, then extending the M65 will have little impact. If it comes from the north and down to the M62, then it would obviously have a major effect."

The Government's road transport plans envisage some £500m of investment on Transpennine links. Yet even if projects which have not so far been included in the planning report – the extension of the M62 into Liverpool city centre and the upgrading of the A1 to motorway standard – were to go ahead, a second Pennine crossing remains the goal.

The lobbyists argue that with a second crossing the new region could be defined both horizontally and vertically and that the mental as well as the physical barrier presented by the Pennines would be swept away.

Martin Regan

The north has grown a network of professional services, says **Ian Hamilton Fazey**

Financial centres can stand alone

BATTLE RAGES along the M62 in financial and professional services. Bankers, solicitors, accountants and venture capitalists are fighting each other for market share. Leeds is fighting Manchester. There is, however, a common cause to unite them all – the development of the market itself.

Indeed, most people rate its very existence of strategic significance: it would not be there if the north of England were a branch economy looking to London for professional advice; therefore it would not be growing if the Transpennine economy were not growing, too.

The bulk of northern industry does not need to look to London

The important consequence of this is that the bulk of northern industry and commerce does not need to look to London for financial and professional services. Between them, Manchester and Leeds can do it all, calling in associated London professionals only when needed for specialised advice.

Mr David Naylor, managing partner of Grant Thornton for east of the Pennines, says: "Leeds has been transformed in provision of financial services with parallel growth among associated professions. The city can now provide all the expertise of a London-based professional."

The same applies in Manchester, where the industry has formed the Financial and Professional Forum to promote this idea. A strengthening cadre of 56 banks has in addition set up the Manchester Merchant and Internal Bankers' Association. Both bodies can provide an impressive show of quality and strength with little visible effort.

The Yorkshire and Humberside Development Association is at present launching a Leeds-based Finance Forum for its side of the Pennines. Subscribers are determined to give it a big enough budget to research its market and promote the concept of self-sufficiency.

However, in spite of each other's all-round capability, differences of emphasis have emerged between Manchester and Leeds through history and demand. Manchester is stronger in banking, Leeds in legal services. However, any disparity is more in terms of volume than quality, for neither city could be said to be weak in either area at the practitioner level.

Nevertheless, there are traditional preferences which the emergent Transpennine single market has yet to break down. Some local Yorkshire companies would never think of going to Manchester for advice, although others in Sheffield and Huddersfield would turn to Manchester before Leeds.

Similarly, some in Manchester and Hull would not go to Leeds, while others in Liverpool, Preston and Blackburn are hesitant about dealing with Manchester.

If these companies turn to London, however, disillusion creates opportunities for northern firms. Even a company with a market capitalisation of £150m is small by London standards. Northern chairman who have switched to their local network complain that London advice rarely came from a partner and the same person was often not available on successive visits.

Coupled with proven ability in areas such as flotations, contested takeovers, corporate finance and advice, venture capitalism, mergers and acquisitions, and disposals of businesses, the northern professionals are asserting themselves strongly and growing their own market, particularly among private companies in the £5-150m range of size.

N M Rothschild & Sons has more than 30 professionals in Manchester, which is a lot by any merchant banking standards and indicates a stable base of business. It operates throughout the north.

County NatWest now has 20 staff in Leeds and 18 in Manchester. It started as a deposit taker, merchant banking followed, then venture capital. Corporate finance has been taken much more seriously in the last couple of years.

Mr John Moran, head of County NatWest's Manchester office, says: "Although we have

David Naylor: "Leeds has been transformed"

been 21 years in Manchester and 16 in Leeds, development has been most marked recently. Basically, we stopped being general practitioners about three years ago and began building specialities."

County NatWest offers banking, venture capital and corporate finance services from both offices, ferrying experts along the M62 between the two cities as needed. "It's more effective to have offices in both centres. People want local contact," Mr Moran says.

Mr Michael Frank, who heads the Leeds office but is

"It's more effective to have offices in both centres. People want local contact"

called on to offer corporate advisory services anywhere, says: "As a corridor of business, the M62 is a good concept. We have three businesses in place, delivering services to the market. We identify growing businesses and help prepare them for sale or flotation. We also have lots of work from private companies which have outgrown traditional forms of finance, such as business loans from clearing banks."

The market has encouraged Barclays de Zoete Wedd to set up and grow to a similar size in Manchester. Singer & Friedlander says it is doing well, particularly among private companies, from its Leeds base. Lloyds Merchant Bank has recently opened in the town.

Leeds has the edge in legal services by virtue of having grown some big firms – for example, Booth & Co, Simpson Curtis and Hepworth & Chadwick – each of which now employ hundreds.

By contrast, Manchester has fewer big firms – Addleshaw Sons & Latham is the most well-known – but many entrepreneurial and growing ones – of these Alsop Wilkinson, expanding from Liverpool, is notable.

Meanwhile, other firms such as Weightmans and Rutherfords in Liverpool have merged to attain a critical mass which now presages rapid growth throughout northern markets.

This May will see what is probably the biggest leap forward, when Yorkshire's Dibb Lupton Broomhead merges with Manchester's William Prior to form a practice with 58 partners, 111 other solicitors and a total of 538 staff with offices in Leeds, Manchester, Sheffield, Bradford and London.

Mr Christopher Barker, the senior partner, and Mr Robin Smith, the managing partner, will be the equivalents of chairman and managing director of a considerable enterprise – a far cry from a fast-disappearing image of provincial, inexperienced solicitors.

There has also been vigorous expansion and upgrading of stockbroking and associated financial services, such as regional or specialised unit trusts. The Manchester-based Henry Cooke Lumsden, backed by Refuge Assurance, has set up in Leeds and is working the M62 corridor hard.

Its arch-rival started out as Huddersfield's own Battye Wimpenny and Dawson. Two years ago, it was the first stockbroker to go public, which it did via the USM. With Yorkshire Building Society as its backer, it is now BWD Rensburg, having merged with Rensburg to acquire the latter's bases in Liverpool and Leeds.

Meanwhile, Charterhouse Tilney is about to expand from its Liverpool headquarters to add Manchester to its national branch network. The Royal Bank of Scotland, its parent, already has a considerable presence there through acquiring the local Williams Deacons bank and branches some years ago.

With both Allied Provincial and the National Investment Group also growing throughout the Transpennine Region, both retail and corporate stockbroking are well-established, with leading professionals

A telling indicator of real change is the rise of a northern venture capital industry

fighting for share.

For the rest, both Manchester and Leeds are well served by all the leading accountancy firms and their sprouting management consultancies. Some have put national headquarters of specialised departments in the North, combining the benefits of low overheads and high quality of life for staff.

A telling indicator of real change, however, is the rise of a northern venture capital industry. Previously, it was just 3i. Now, although 3i remains leader and continues to grow, its share is falling, indicating an expanding market.

Only five years ago, venture capital funds hardly existed outside London. There are now at least 17 regional sources in Yorkshire alone and a smaller but growing clutch in Manchester. The city boasts more than 50 venture capital professionals who believe they have surpassed the critical mass for triggering even more rapid growth.

Service industries can spring only from markets. The obvious east-west orientation of the financial and professional services sector in north-west England and Yorkshire and Humberside is an effect, not a cause. The strengthening market can only be seen as testimony of a strong Transpennine trend in industrial development.

KEY FACTS

Population (1987)
Yorkshire & Humberside 4.9m
Conurbations ....West Yorkshire 2.1m, South Yorkshire 1.3m
North-west 6.4m
Conurbations ....Greater Manchester 2.6m, Merseyside 1.5m
Main cities ....Leeds 0.71m, Sheffield 0.53m, Liverpool 0.48m, Bradford 0.46m, Manchester 0.45m, Hull 0.25m
Total Transpennine 11.3m

The economy (1987)
Yorkshire & Humberside £27.5bn
North-west £35.8bn
Transpennine share of UK total ....19 per cent

Workforce (1987)
Yorkshire & Humberside 2.36m
Men ....1.37m Women 0.99m
Employed ....1.86m Self-employed 0.23m
Growth (1976-87) in self-employment ....43 per cent
North-west 2.98m
Men ....1.69m Women 1.29m
Employed ....2.31m Self-employed 0.29m
Growth (1976-87) in self-employment ....38 per cent

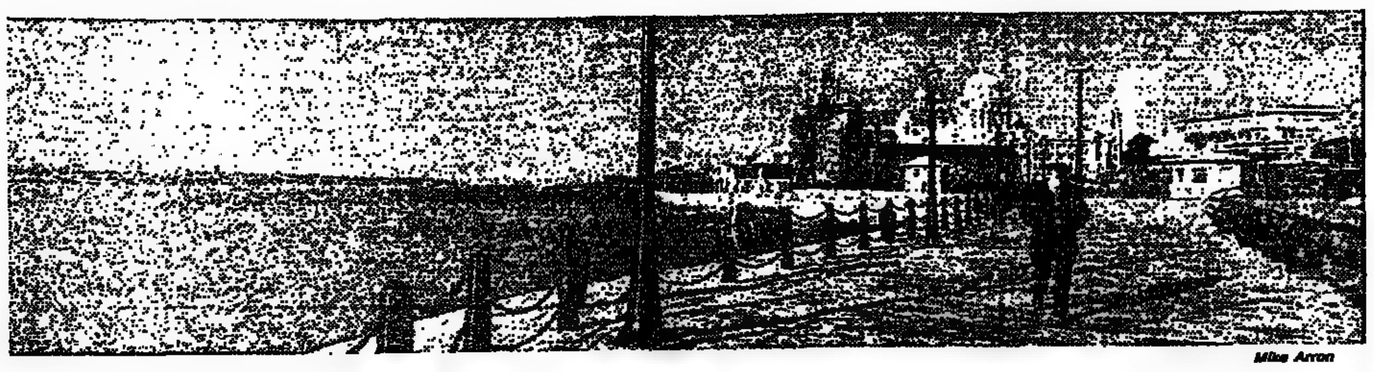
Unemployment (Feb 1990)
Yorkshire & Humberside ....6.8 per cent
Men ....8.8 per cent Women ....4.2 per cent
S Yorks men ....14.0 per cent
Humberside men .... 12.0 per cent W Yorks men .... 9.5 per cent
Lowest percentage ....Harrogate (2.9 per cent)
Highest percentage ....Rotherham (12.6 per cent)
North-west ....7.5 per cent
Men ....9.8 per cent Women ....4.4 per cent
Merseyside men .... 19.5% Gtr Manchr men 10.9%
Lowest percentage ....Clitheroe (2.7 per cent)
Highest percentage ....Liverpool (14.1 per cent)

Earnings per week (1988)
South-east men £283.0
manual ....£213.9 non-manual £331.4
Yorkshire & Humberside men £224.1
manual ....£195.9 non-manual £264.9
North-west men £231.1
manual ....£197.9 non-manual £272.6

Capital expenditure (1986)
Yorkshire & Humberside £852m
North-west £1bn
Transpennine share of UK total ....22 per cent

Business growth
Gain in registrations, 1979-87
Yorkshire & Humberside 11,900
North-west 10,500
Transpennine share of UK total ....10 per cent

Motorways
Yorkshire & Humberside 290,000km
North-west 400,000km
Transpennine share of UK total ....26 per cent



The Albert Dock on the Mersey, looking towards the Liver Building

Mike Arron

Hebden Bridge in Yorkshire

Stewart Dalby looks at cleaning up after the industrial revolution

The cost of a green basin

CONCERN FOR the environment in the Transpennine region centres on two campaigns. One involves the area west of Manchester and is well-advanced. The other is based in York. It deals with Yorkshire and Humberside and is in its infancy.

The Mersey Basin campaign is, it is claimed, the largest regional environmental project to be backed by the UK Government. It covers a huge area including most of the watercourses such as the Manchester Ship Canal to the west of the Pennines, and not just the Mersey estuary. The people running the campaign emphasise that it is basin-wide and not just Merseyside that is involved – an area of 5,000 sq km where 6m people live.

The aims of the £4bn drive are twofold:

□ to clean all the 1,700km of the watercourses in the Mersey basin to at least Grade 2 (fair) standard.

□ to promote attractive landward developments, especially alongside the watercourses.

As one might expect, it is a large task. The north-west region includes areas where the industrial revolution was born. Concern with the environment is a relatively recent phenomenon and the Mersey basin region suffers from at least 100 years of neglect. There is a legacy of severe pollution, inadequate sewerage and sewage treatment facilities. When the campaign was started in 1985, the community tended to accept polluted rivers and the dereliction left by industrialisation as inevitable.

While there has been a change of attitude, the campaign is expected to run until the year 2010. At least half the 1,700km of rivers in the basin are classified as poor or bad (classes 3 and 4). The major investment projects needed have long lead times.

The campaign managers reckon that spending is on course. Of the projected £4bn to be spent over 25 years, some £425m has been disbursed to date. This has been derived from a mixture of EC aid, water authority investment, central and local government work, voluntary input and a growing volume of private investment.

The latest three-year injection of aid from Brussels at £36m, plus £95m for integrated operations in Manchester and Merseyside, will help to maintain the campaign's momentum.

It is perhaps misleading to see the EC aid – or for that matter the other money – as part of an integrated environmental master-plan. The bulk of the public spending comes to the campaign from the Government's spending programmes including derelict land grants, urban programme grants and development corporation projects.

These programmes are often aimed at economic regeneration and are not exclusively meant to improve the environment.

Two of the most spectacular landward schemes of recent years illustrate the point. The Albert Dock development in Merseyside was funded largely in its early stages by the Merseyside Development Corporation. The beautiful listed dock buildings were brought from total dereliction over a number of years, with a great deal of effort and money. They now form an attractive complex of shops, offices, museums and pubs and restaurants.

The fact that the Albert Dock is environment-friendly, as it were, is a nice bonus. The prime reason for the redevelopment, however, was economic – to bring about tourism and a revival of commercial life in this rundown waterfront area.

The same was true of Salford Quays in Manchester. This was a truly stagnant area on the shore of the Ship Canal. Mr Ted Hagan, the developer, did get some government help in the form of a derelict land grant. But essentially it was a private development. Again, the fact that it is an attractive, environmentally-sensitive complex is a plus in the economic regeneration of this particularly area.

The region includes areas where the industrial revolution was born

Similarly with the clean-up of the Mersey estuary. The £170m, 15-year programme was initiated in 1981 before the Mersey Basin campaign was started. This year the Sandon Dock sewerage treatment works should be completed and result in a noticeable improvement in the quality of the Mersey's water.

Before it was privatised last year, North West Water was involved in an extensive programme of improvements – to antiquated Victorian sewers, for example.

Whether such projects are undertaken with the Mersey Basin Campaign's blessing or without it, however, at the end of the day it amounts to the same thing if there is economic regeneration which is consistent with environmental standards. The campaign's own slogan is that it wants to create the right environment for investment.

North West Water will almost certainly continue to make improvements, partly because this is in line with government policy and partly because a new watchdog, the National Rivers Authority, was set up in September last year.

The North West region of the NRA will probably be active in looking out for industrial pollution and taking legal action where necessary.

As river water quality improves throughout the basin, it highlights different forms of pollution, notably pollution from dairy farming with slurry and silage effluent the worst offenders.

Cheshire is a strong dairy area. Pollution of this kind increased in the county by 36 per cent in 1988 compared with 6 per cent nationally. The Basin campaign is trying to overcome the problem of agricultural pollution in conjunction with the NRA and the Ministry of Agriculture. It is helped by the Ministry's Farm and Conservation Grant Scheme.

On the other side of the Pennines at the University of York, a more modest scheme for an environmental audit of the entire region of Yorkshire and Humberside is under way.

The first stage will be to form a data base of sources, ongoing work and so on. This brainchild of Professor Tony Robards will build on some of the individual examples of research carried out in the region. They include the estuarine and coastal pollution audit

Regeneration which is consistent with environmental standards

carried out by the University of Hull for Humberside County Council, the Kirklees state of the environment report by the Friends of the Earth for the Kirklees Metropolitan Council and the biological and chemical assessment of the water quality of the River Foss near York, carried out by the University of York for the British Ecological Society.

York University is also sponsoring a State of the Environment Conference on April 20 when Mr Edward McMillan-Scott, the local MEP, will talk about the "green audit" for Yorkshire and Humberside.

CASE STUDY: FOOD AND DRINK

Using the M62 to the full

ASKED TO choose the best geographical site for distribution, many in the food and drinks industry would favour an area roughly between Chesterfield and Leicester. But if asked to select the best practical site, they would look farther north. Costs are lower and labour availability, crucial for an industry with low rates of pay, is better.

The areas of West Yorkshire, Lancashire and parts of east Manchester are seen as the best secondary locations. However, this view does not take account of the strategic importance of the Transpennine region's ability to be involved across the entire production chain: from raw material imports, through production to distribution.

Findus and Ross Young both operate state-of-the-art fish processing plants at Grimsby and are now moving into high quality added-value dishes. The Kellogg's complex in Trafford Park is a fulcrum of that company's UK operations, while Asda and Northern Foods have used their regionally-based distribution as a springboard for national growth.

Other major players in what is an important part of the area's industrial base, include Bird's Eye Walls, Premier Brands, Tetley Walker, Guinness, Scottish and Newcastle and Terry's of York.

Ease of distribution is now almost as important as speed of production. For those who supply the national supermarket chains, particularly with fresh food, the requirement is for a location from which the food can be on the shelves in Scotland and the south-east within a day.

Such are the economics of distribution, but at times it seems the tail can wag the dog. Manufacturing facilities are springing up on estates developed for distribution.

The geographical spread of the area's existing companies is much wider than if it were based on simple distribution considerations. The growth of the Transpennine region does not necessarily mean that will continue. There is a strong argument which suggests that future expansion of the sector will concentrate within much narrower boundaries.

Mr Chris Haskins, chairman of Hull-based Northern Foods, believes the eastern side of the Pennines is the obvious area for expansion. Bradford is keen to stake its claim, but Wakefield, at the crossroads of the M62 and A1, seems better placed.

The distribution tail can wag the manufacturing dog

The district's ties with the food industry date back several centuries to the production of liquorice at Pontefract. Today the sector employs some 6,000 people within the area.

Companies already operating within the district include Rowntrees at Castleford, Hey Brothers and Crystal Drinks at Featherstone, Allinsons, Allied Bakeries, Northern Foods and RHM Ingredient Supplies, which has its headquarters in Ossett.

Asda has a food processing and packing centre at Lofthouse and has recently opened a distribution centre. Together, these facilities employ over 1,600 people.

Coca-Cola Schweppes Beverages has invested £60m in creating Europe's largest soft drinks factory. It has been followed by Nacanco, which built a new canning factory on an adjacent site.

Two years ago, Mr Haskins ignored his own advice and built a new £15m facility at Grantham, following the conventional theory of best-placed distribution site. He describes the experience as "a nightmare."

"There are a lot of rural areas around there and we genuinely thought we'd have few problems finding staff. We were wrong," he says.

He compares this to the ease with which the company has recruited at its Greater Manchester and Humberside facilities.

"There are millions of people in Lancashire and Yorkshire who are comfortable with the culture of production. They really area a very valuable resource."

Mr Haskins is a fervent advocate of the Transpennine concept, with views ranging from the incisive to the absurdly partisan – he ascribes Manchester Airport's struggle to acquire new routes to a deliberate plot cooked up between the Government and British Airways.

Yet where his views are delivered from the perspective of businessman, rather than adopted northerner, the significance of a strong Transpennine region to the food industry becomes clear.

He explains: "When we bought Park Cakes in Oldham in around 1972, I had to get up at 5.30 am, take a train from Hull to Stalybridge and then get someone to pick me up. If I was lucky, I'd arrive at 10 am. Now I can drive in little over an hour."

These improved road links, he argues, are the blocks on which the region can build in its attempt to become a national centre for distribution and manufacture.

"In our industry, time is the key factor. It is more important than virtually anything else. If you go much farther south than Nottingham, then you have problems getting food to Scotland," he says.

Mr Haskins argues that access to the Transpennine route has been an important factor in controlling costs, allowing the company to embark on a programme of investment – the latest example of which is a £20m factory in Sheffield.

A company's choice of its distribution, and increasingly

Views ranging from the incisive to the absurdly partisan

its manufacturing, base depends on the location of its markets. Post-1992, as food producers look to Europe, the criteria by which locations are judged will change. This, says Mr Haskins, is when the Transpennine region can advance.

"Everyone is obsessed by the Channel Tunnel, but we have the ports, particularly on the Humber. What the Transpennine group has been saying for a long time, and this does not only apply to the food industry, is that the trade from west to east and on to Europe via the ports is no less important than that from north to south and through the tunnel."

Martin Regan

Stewart Dalby reports on an industry where power equals money

Energy surges, coal declines

POWER, ENERGY, the generation, processing, distribution of it is big business in the Transpennine region. It is big both in terms of the numbers the industry employs and in the profits made by the public, private and soon-to-be-private companies concerned.

British Nuclear Fuels (BNFL) is commonly thought of as a reprocessor of nuclear waste, but is, in fact, involved in the full cycle of nuclear fuel services.

The company's headquarters are at Risley, just outside Warrington in Cheshire. At Capenhurst, near Chester, in Cheshire uranium enrichment is carried out. Fuel manufacture is at Springfields, near Preston, in Lancashire, spent fuel processing is conducted at the famous or infamous – depending on your point of view – Sellafield in Cumbria. There is also a small nuclear power station at Sellafield run by BNFL and a second power station at Chapelcross in Dumfries.

About half of the company's turnover, which in 1988-89 was £916m, comes from reprocessing. Much of the business comes from abroad. BNFL which is state-owned, made pre-tax profits of £90m in 1988-89, and paid the Government a dividend of £40m.

The company employs 15,000 people directly in the Transpennine area and, according to a Department of Trade and Industry multiplier, accounts for 70,000 jobs indirectly in the Transpennine region. The company estimates it is responsible for £700m worth of business in the region to contractors and the like.

Contrary to popular belief, British Nuclear Fuels is not the country's nuclear power company. The two power stations it has were established in the 1950s and are now very *small operators in terms of* national output.

BNFL, however, estimates that around 20 per cent of power or, to be precise, electricity generation comes from nuclear sources.

Most – perhaps 75 per cent – of the power stations in the Transpennines are coal-fired. Coal, of course, remains a major industry in the region in spite of severe contraction since the national strike four years ago. Some 22,000 of the remaining 65,000 miners (half the figure of pre-strike days) work in the Yorkshire pits. There have been many closures in the region, but 42.5 per cent of coal extracted still comes from Yorkshire, Lancashire and Cheshire.

Although British Coal will not say so explicitly, it considers that the Central Electricity Generating Board has put the price screws on it since the strike. There is always the threat of cheap foreign coal, although import facilities would probably be inadequate to replace Britain's entire coal output, even assuming the Government wanted to see this happen to a strategic industry.

But South African coal is cheap because of the cheap labour, Australian and US coal is cheap because it is usually open cast and not buried deep *in the ground*. East European coal is cheap because it is not priced at market rates.

The existence of these other coal markets, together with the possibility that electricity generators will look *for* non-fossil alternatives, means that pricing for coal will remain competitive.

This is even more the case since the CGB is being split up to be privatised as two public companies, National Power and PowerGen. (A third element of the old CGB, Nuclear Electric, will stay in the public domain.)

For the moment British Coal has an agreement with the two generating companies. In the year which began this April 1, British Coal will sell 70m tonnes to the companies (around 70 per cent to National Power). In the following year it will sell a further 70m tonnes, and in the year after 65m tonnes. All this at prices which have already been hammered out, but not divulged. The power companies between them account *for 84* per cent of British Coal's sales.

Certainly the stability in coal prices seems to have been an important factor in the good profit figures shown by the three electricity boards covering the Transpennine region. Norweb, the North Western Electricity Board, which covers an area stretching 150 miles from the Scottish Border down to and below Manchester and which has 2m customers and 8,000 employees, just about doubled pre-tax profits to from £16.7m to £32.1m in the year to March 1989. This was on turnover of £1.29bn compared with £1.05bn.

On the more relevant criterion of return on assets employed, Norweb achieved a ratio of 3.75 per cent.

The Government had set a guideline of 3 per cent. Manweb, the Merseyside and North Wales Electricity Board achieved a ratio of 4 per cent. It has 1.3m customers (some, despite its name, in Cheshire).

Pre-tax profits in 1988-89 again almost doubled to £26.6m from £13.6m the previous year.

Yorkshire Electricity, which covers Yorkshire and Humberside, achieved a return on net assets of 4.61 per cent in 1989 compared with 3.62 per cent the previous year. Pre-tax profits on a current cost accounting basis were £49.3m compared with £33m.

The companies partially acknowledge the containment in costs as important in the good rises but stress other factors.

Manweb, for example, in the last chairman's statement said: "The attainment of the financial target was aided by a number of positive management actions which effected reduction in distribution losses, containment in costs and increased unit sales."

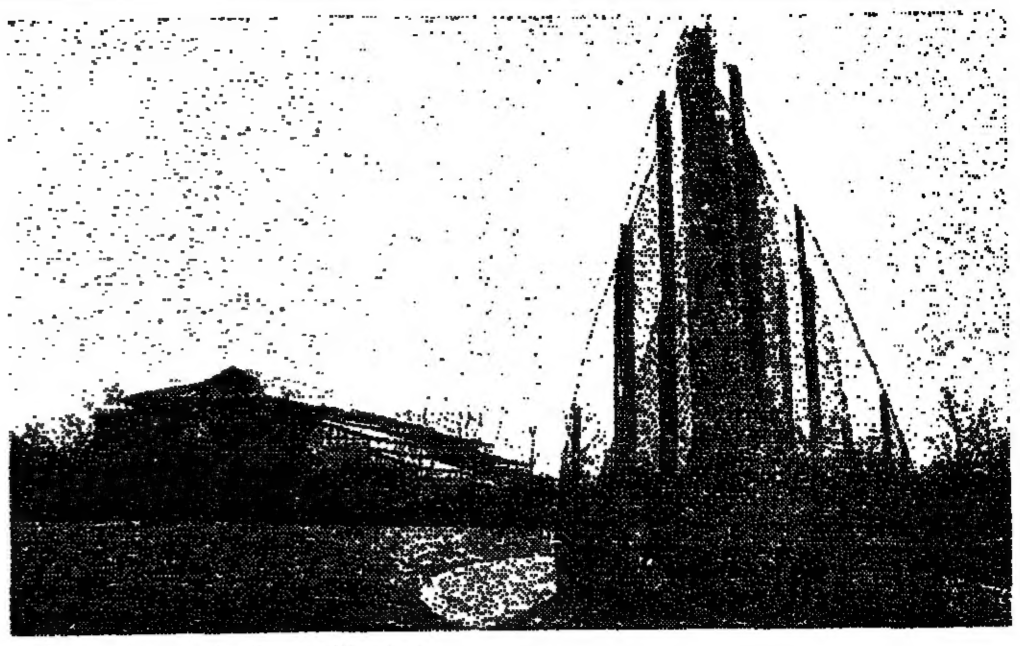
The reduction in distribution losses means the elimination of the widescale theft or illegally tapping into supply, prevalent in Merseyside. Manweb is proud that in a depressed region like Merseyside it managed to increase its business. Some 50 per cent of its sales are to industrial users. However, with 80 per cent of its total costs coming from generation charges, the containment of input costs from the generating companies must have been important.

Manweb, like the other two companies in the region, will have had another good year in 1989-90, and like the other nine regional boards can anticipate a further good year in the run-up to privatisation this autumn. Last week the 12 regional boards were vested as PLCs and it is expected they will be privatised in November.

Mr John Wakeham, the Energy Secretary, has said the companies can increase their prices by more than the rate of inflation in the current year to help offset the heavy investment costs involved in the privatisation. It is expected average price rises will be around 9 per cent.

Prices thereafter *could* continue to rise by more than inflation, because of the heavy investment needed. But life could get tougher. The regional companies will lose their monopolies on supply. In the non-monopoly areas – transmission or use of the "wires" as they are called – customers can shop around. In year one this will apply only to customers using more than one megawatt of electricity. In Norweb's case that is only 4,000 customers. After 1994 customers using over 100kW will be free to seek alternative suppliers. After 1998, all customers will be free to seek alternative suppliers.

With the prospect of sharper competition after privatisation, the companies are tightening up and diversifying. Many are involved in appliance sales and servicing already. Others are looking at power generation and still others are looking at the possibilities of cable television. The energy industry in the Transpennines should certainly live in interesting times.



Birchwood Science Park, near Warrington

Relocation remains complex and risky, says Hazel Duffy, but . . .

Public sector leads trek northwards

RELOCATION is on the lips of everybody searching for ways to boost local economies. The south-east is characterised by congestion, labour and skill shortages. The north has space, good roads in the main, and people who want work.

It would seem to be the ideal recipe for a more balanced Britain.

In reality, relocation is a complex and risky business for employers. Staff in many cases are reluctant to move, for a variety of personal and economic reasons. Not least among the last are the difficulties in selling a house in the south. In the meantime, house prices in the north have been catching up, so the advantages of a move are not as great as they were two years ago.

For employers, the difference in rents for office space and light industrial use between the south-east and the north is still substantial.

Surveys have shown, however, that accommodation costs are not the prime consideration of employers contemplating a move. The most important are the staff.

Sometimes, an employer will want to take as many staff as possible. That was the case when Shell Chemicals moved its headquarters to Chester. Attractive surroundings, availability of "executive-style" housing and good education facilities, as well as a relocation package to ease the transfer, all helped to sway the decision in favour of a move.

Other employers, faced with a high turnover of staff, might want to take only key employees, and prefer to recruit locally for the rest. For them, the size of the labour pool, the skills base and training facilities will be uppermost.

But another key requirement for many companies in the services sector is accessibility to head office, which will almost certainly remain in the south-east. Two hours by train from London is, for many companies, the maximum that they will consider.

Bristol, south-east Wales, the East Midlands and East Anglia have so far been the main beneficiaries of the trickle from the south-east. Some of these areas still have much to offer employers, but others are beginning to display some of the symptoms which companies want to escape by moving.

This is where the north – and particularly the cities straddling the east-west corridor from Hull to Liverpool – really comes into its own. Leeds and Manchester are the prime players. They have the core facilities of a city, while their centres have largely escaped the de-industrialisation ravages which hit Liverpool, Sheffield and Hull so dramatically.

Rebuilding, restoration and filling in the disused docks are under way in all these cities, but it takes a long time to change the often wrong image that the south has about the north.

One consideration for the public sector is that rents in Leeds and Manchester might *be only one third of central* London. In the last year, the Departments of Health and Social Security have announced their decision to relocate some 2,000 jobs to Leeds. They picked a site at Quarry Hill, near the city centre, which will allow them to occupy new offices. Staff will move from the start of 1992. Many of the jobs, however, are expected to be filled locally.

Leeds was chosen by the departments' staff in preference to Manchester, the other finalist. Manchester, however, has won the British Council, which will mean about 600 jobs. *Customs & Excise is also* relocating head office staff from London and Southend to Manchester and Merseyside. About 1,250 of the jobs will go to the Mersey area.

Sheffield already has the Government's Training Agency. It will shortly be getting a share of 1,100 head office jobs which the Department of Employment is moving to the city and to Runcorn.

In terms of numbers, the public sector is giving the lead in relocation. The significance of these recent announcements is that they involve headquarters jobs.

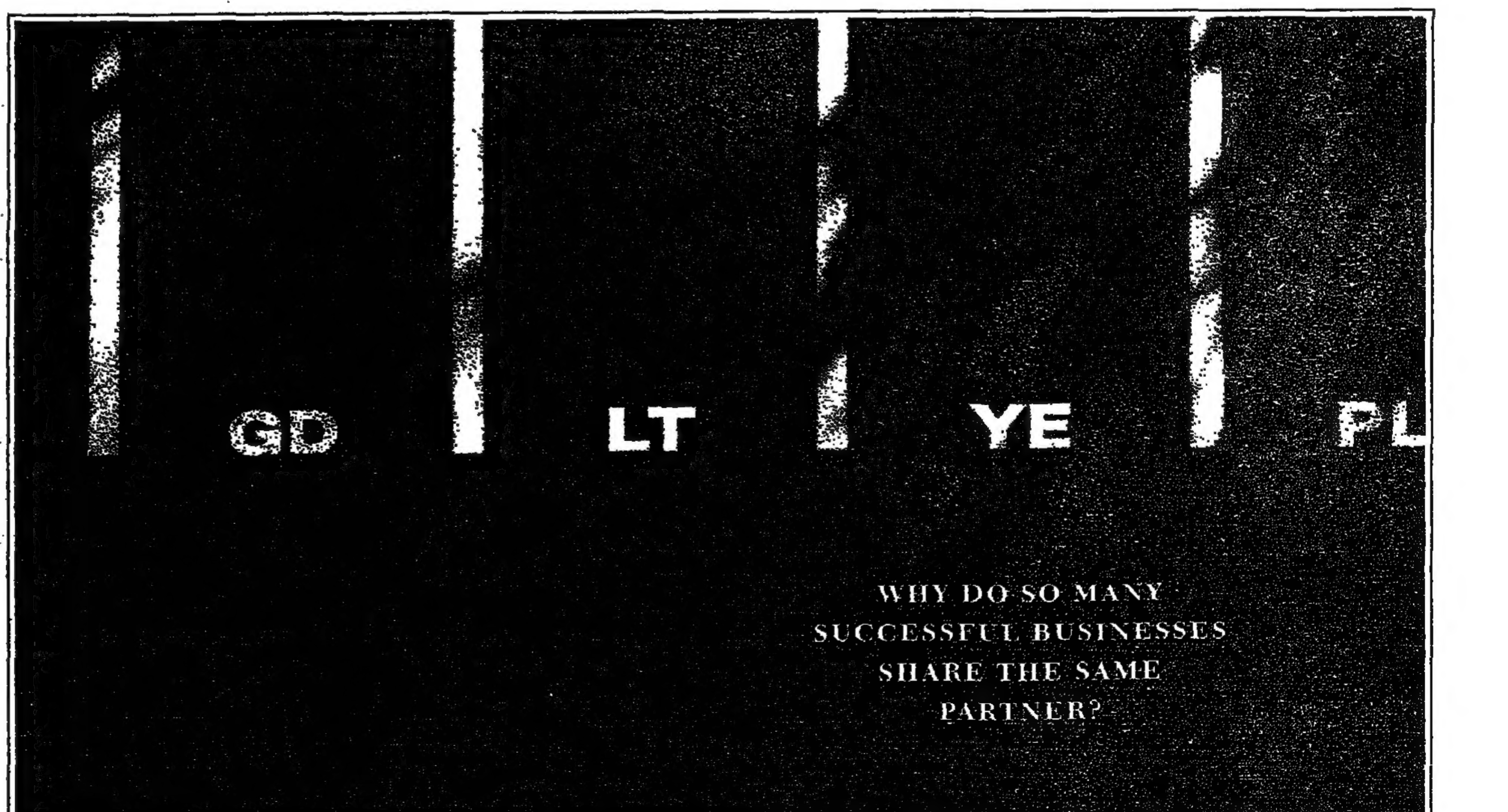
Most private sector relocations involve fewer jobs. To *date*, destinations south of Birmingham have been most popular with the bigger companies – mostly from financial services – which have moved. Alternatively, a connection with an area can be the spur. This was the case with Shell Chemicals which has its chemical plants in the north-west.

Craigmillar, supplier to the bakery business, and a division of Van den Bergh, the Unilever subsidiary, has moved its head office from the south-east to Bromborough on Wirral. The Unilever group has for long been one of the biggest employers in the Liverpool area.

In medium-sized manufacturing companies, relocation might be a very live issue. There are many companies sitting on valuable sites in the south-east, which can make a move to cheaper, often more convenient premises in the north, most likely to one of the new towns or to the new industrial parks around cities. Redundancy and recruitment costs involved in such a move can be easily accommodated within the sale price of the site.

The new system of business rating, in the main, is to the benefit of such cities as Liverpool, Leeds, Manchester and Hull, and one often quoted by promotion bodies. But it is highly unlikely that a company would move simply because of lower rates. For most businesses, they are a small proportion of their total costs. However, it can be a consideration in the overall perception that a move might be good for a company.

The southern cross-section of the north may well derive a lot of benefit from further relocations. But the authorities should remember that the decision to relocate often involves a lot of agony and the choice of location may well be tipped by as fickle a factor as that the chairman likes a particular golf course. It is not the sole remedy for cities striving for diversification.



TRANSPENNINE: THE NEW NORTH 8

TOURISM HAS become a major industry in the Transpennine Region.

The area has three national parks (or four if the Lake District is included). The others are the Yorkshire Dales National Park, through whose centre runs the Pennines and the famous 250-mile Pennine Way. There is the North York Moors which include the Cleveland Hills. And there is the Peak District in Derbyshire.

All these continue to attract tens of thousands of visitors for climbing, walking and boating. It is difficult for the tourist boards to estimate exactly how

Chester and York are on the route path for foreign visitors

many, as there is no monitoring at the many points of entry. It seems likely, however, that the number of visitors has been swollen in these environmentally sensitive times by conservationists, bird watchers and the like who want to enjoy these protected areas.

And, of course, traditional seaside resorts such as Blackpool, Southport and Morecambe on the west coast and Scarborough on the east coast, have always attracted tourists. These went through a period in the doldrums in the early 1970s as the old bucket-and-spade holiday, with entire families decamping for two weeks in the summer, disappeared in favour of holidays in the sun abroad.

Through investment in conference centres, amusement parks and short-break facilities in some cases, most of the resorts have revived. Their custom is now largely day-trippers and short-stay visitors. But they bring in the money, nevertheless.

In 1988, for example, the Blackpool Pleasure Beach, a theme park, attracted 6.5m visitors. Pleasureland in Southport, a much smaller town, had 1.5m visitors.

A third kind of tourism was made up of people on the history trail. Both Chester and York, two ancient but well-preserved towns, have long been on the route path for foreign visitors, mainly from the US but increasingly from Japan and Germany. Such tourists would start off their package in London, often go to Stratford to take in some Shakespeare, move on to Chester and York, and then possibly proceed to Scotland or go back to London.

These three types of traditional tourism have been heavily augmented in the past decade by two new types of business. First, the old heritage centres have grafted on modern facilities to their attractions. Thus, Chester Zoo drew 896,822 visitors in 1988 while JorVik, the Viking Centre in York, pulled in 865,000 visitors. York Minster, the famous cathedral, attracted 2.1m visitors, so the appeal of the town is both ancient and modern.

Second and more significantly, however, the not-so-ancient towns which have a Victorian provenance, such as Liverpool, have been transforming themselves into centres for what has been termed new urban tourism.

As old-style manufacturing and trade has declined in the North, the former belching factories, dark satanic mills and derelict warehouses have metamorphised into museums, art galleries and leisure centres.

This transformation can be seen most vividly in Liverpool's Albert Dock, which attracted some 4m visitors last year. Not so long ago, this was in a state of total dereliction, but with the aid of large sums of public and private money, it has become the home of the Tate Gallery of the North and the Maritime Museum. There is a public house called the Pump House on the banks of the River Mersey and shops and restaurants in the complex.

Although the Liverpool renaissance has been the most publicised, buildings in Bradford have also been brought back to life. The Photography Museum in Bradford attracted over 800,000 visitors in 1988.

Manchester too, has had some exciting developments in recent years. There are excellent restaurants, not least in Chinatown. There is good theatre and opera, and the John Rylands Library.

In addition, Halifax has converted its famous Victorian mill into an arts and crafts centre.

Mr Andrew Barrister, at the Yorkshire and Humberside Tourist Board in York, says that in 1988 its area – to the east of the Pennines – saw 10.8m trips. Of these, only 800,000 were visitors from abroad. The North West Tourist Board, which covers Lancashire, Merseyside, Greater Manchester, Cheshire and part of Derbyshire, had 9.9m trips in 1988, of which 9m were undertaken by British residents.

Total spending in the north-west region in 1988 was £813m, including that spent in shops, on taxis and buses as well as hotels and restaurants. For the Yorkshire and Humberside Board the figure was £649m. Putting these two together and leaving out Cumbria and Northumbria, both of which could legitimately be included in a Transpennine survey, then the total in rounded-up figures was £1.5m. Since the UK total that year was £13m the Transpennine Region accounted for over 10 per cent of the national total. This was a vast increase on five years ago.

In employment terms the growth has been equally dramatic. There are 183,000 employed in the industry in the north-west region and 103,000 in Yorkshire and Humberside. Put together, that is around 8-9 per cent of total employment, or more than double what it was five years before.

There are those, such as Professor Patrick Minford of Liverpool University, who feel that tourism is no panacea for areas like Merseyside. He has argued that, with the relatively low wages and often demeaning tasks involved, former dockers and other manual workers are not about to become barmen and waiters. In any event, tourism is not that labour-inten-

Former dockers are not about to become barmen and waiters

sive. Even with the shake-out and closures in manufacturing industry, it still accounts for nearly 20 per cent of jobs nationally.

Perhaps not, but Ms Dorothy Naylor, chief executive of the North West Tourist Board, feels there is still a lot of growth to come. Last year, she says, was an excellent year partly because of the good summer. The British Tourism survey undertaken by the various boards estimated in 1988 that by 1994 there would be an increase in domestic tourism of 63 per cent and a 91 per cent increase in overseas tourism.

Tourists from abroad, of course, form a much smaller base. But there is a trend towards more staying guests. This means more hotels. Liverpool has only 51 hotels of recognised standard while Chester, which is much smaller, has 91.

More hotels mean more staff and more jobs. Liverpool suffers badly from the demographic problems of a dwindling number of school-leavers.

Ms Naylor says: "Hotels we speak to realise they will have to undertake much more training and they will have to upgrade wages if they are going to get and keep sufficient staff."

It seems that tourism as a sector will continue to grow as a job provider.

Some of the 4m visitors who thronged Liverpool's Albert Dock last summer: not so long ago, the site was derelict

Stewart Dalby reports on the growth of jobs and income in a developing industry

New tourists lack buckets and spades

Cultivation of culture well in evidence, says **Antony Thorncroft**

Leeds Playhouse shows way

A GENERATION ago, London dominated the arts world like a Colossus. Now it is just the home of the big national companies, such as the Royal Opera Covent Garden and the Royal National Theatre. Much of the best new creative work and the most exciting new developments are happening in the regions. And, in recent years, many in the Transpennines.

Undoubtedly, Yorkshire has stolen a march over the north-west, culminating in the opening this year of the West Yorkshire Playhouse in Leeds. This £14m development will almost certainly be the last major theatrical complex to be built in the UK this century, with its two theatres and its imaginative policy of producing work that will start in Leeds but then tour or perhaps transfer to the West End.

The local authority has put up most of the cash but commercial sponsors, notably the local brewery, have done their bit, alive at last to the awareness of how the arts can regenerate decaying cities, raising the morale of the local population and attracting new enterprises. Apart from a plethora of young dance troupes and Opera North, Leeds had fallen behind neighbouring Bradford in its cultivation of culture.

Bradford was one of the first large cities to invest heavily in the arts; through the restoration of the Alhambra Theatre; then with the establishment of the National Museum of Film and Photography in the city; and now with a plan to persuade the Victoria & Albert Museum to transfer much of its unseen reserves of oriental art north for a new Museum of Asian Art in a restored mill. The V & A backs the idea; the powerful Asian community in Bradford is very much in favour; all that is lacking is the finance.

The Bradford example has also influenced Sheffield, host in 1992 to the Universidad, second in size only to the Olympics as a celebration of international athletics. Money willing – though the European Community should help – there will be a major arts festival to co-incide with the sports, built around the Lyceum Theatre, another turn-of-the-century war-horse, redolent of faded splendour, which is being revitalised.

Sheffield quickly appreciated that the arts have a role to play in keeping up the spirits of the young unemployed and, through such projects as the Leadmill arts centre, it has pioneered the conversion of antiquated industrial premises into community arts operations.

There can be a commercial spin-off. The old Globe cutlery factory will convert to both a craft museum as well as being the home, at reasonable rents, to a new generation of craftsmen, selling their skills to visitors. The council has also invested in recording, video and print studios. Some of the talent unleashed has gone on to national and international success, but has stayed in Sheffield, both enjoying the subsidy and enlivening the city.

To complete a quartet of flourishing Yorkshire cities, there is Hull. Maybe it is not in Yorkshire any more but the Government's recent reorganisation of arts funding, giving more power to the regions at the expense of the Arts Council, has merged Humberside Arts Association into Yorkshire Arts, and the bigger clout, and a bigger budget, should ensure that arts initiatives in Hull – notably the decision to help regenerate the area around the docks by installing a major new gallery devoted to European prints – continue. And of course there is another revitalised theatre building, the New.

But the crown for arts enterprise east of the Pennines must go to Halifax. In the Dean Clough it has a converted mill which has become an example to the region, with its flourishing arts gallery and performance space, linked to a money-making conference centre. Its big coup, which should succeed, is to lure Northern Ballet from Manchester to set up home in Halifax.

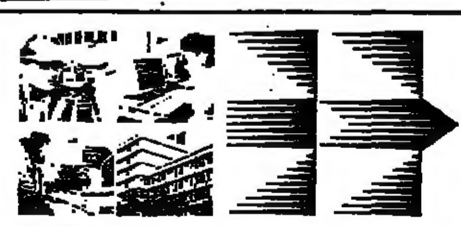
All this would underline the north-west's relative reluctance to encourage the arts with public money. The city councils in Manchester and Liverpool, with their strained financial resources, rank the arts low in their list of priorities. The Arts Council tries to reach a bargain with each major local authority, and is unprepared to make good any deficit if it thinks that the locals are dragging their feet. It is unhappy with Manchester but even more concerned about Liverpool and has reduced substantially its aid for 1989-90 to the Liverpool Playhouse and the Everyman Theatres, not because it disapproves of their work but because Liverpool City, and other local councils, are not prepared to raise their subsidy.

The Manchester Royal Exchange, with its strong national reputation, is in fairly good heart, thanks to deals with commercial sponsors which enable it to tour the UK, but theatre in Liverpool faces a crisis.

Fortunately, the Liverpool Philharmonic Orchestra, currently celebrating its 150th anniversary, has a dynamic music director in Libor Pesek and has overcome its financial problems, mainly by boosting sponsorship. Paul McCartney is writing an oratorio for it to celebrate his home town, to be performed next year in Liverpool Cathedral. In contrast, the Hallé Orchestra in Manchester is in the doldrums and has recently lost its music director, although a new concert hall is now planned.

The Arts Council changes will incorporate Merseyside Arts into North West Arts, although Liverpool will retain a regional office. This overhaul of arts funding in the UK acknowledges the progress that has been made in the regions, both culturally and administratively, and from 1998 government money will go direct to the new regional arts boards for distribution among their local arts companies.

Yorkshire Arts and North West Arts will have difficult funding decisions if they are to ensure that all the brave new initiatives just launched, or planned, enjoy long and successful fruitions.



Paul Abrahams on the region's airports

The capacity is here

AIRPORT CONGESTION in the south-east of England provides remarkable opportunities for Transpennine airports.

Every summer, television screens in the UK are filled with images of holiday-makers at south-east airports spending the first day of their holiday in a fluorescent light-filled terminal lounge. The delays are caused either by capacity constraints or strikes launched by air traffic controllers.

Those delays at south-east airports are likely to become worse before they get better. Airbus, the European aircraft manufacturer, estimates that scheduled and charter flights in Europe will increase from 758bn revenue passenger kilometres in 1988 to 1,158bn in 1998, and to 1,709bn by 2008.

In addition, the creation of a European hub and spoke system will increase the number of aircraft movements as airlines use smaller aircraft on routes from spokes to hubs. Kleinwort Benson, the London stockbrokers, believe that the world's fleet of aircraft will rise from 8,300 in 1989 to some 16,820 by 2010.

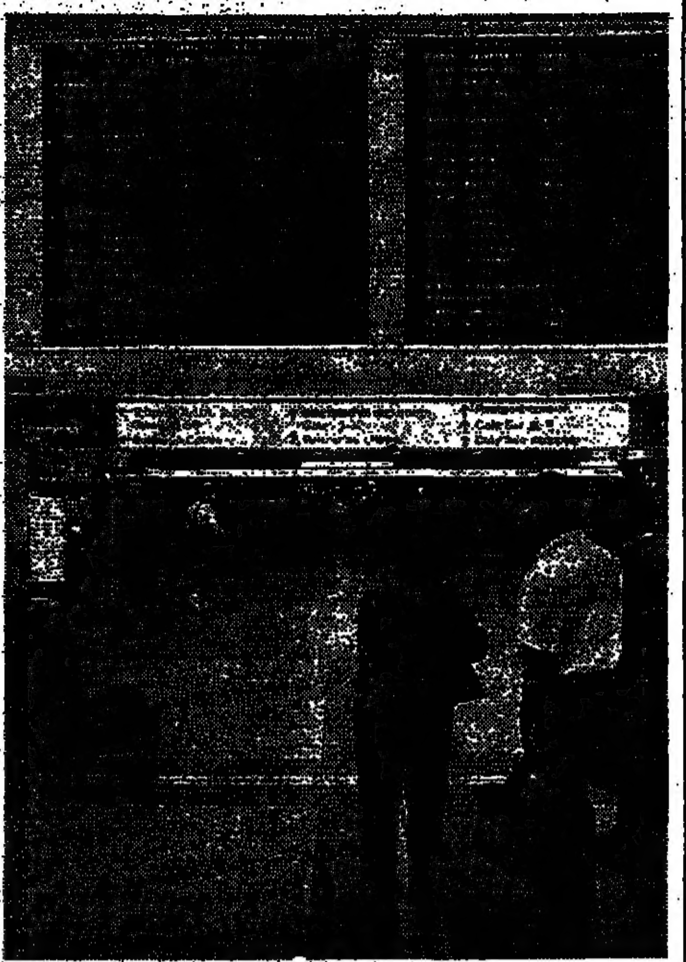
Although considerable capacity will be made available by the development of Stansted and the construction of an extra London runway towards the end the decade, the airports in the south-east of England will probably be overwhelmed by such traffic.

In all likelihood, delays will continue to be caused in the south-east by shortages of runway, terminal and air traffic control capacity – and that does not account of any strikes by traffic controllers.

While the Transpennine airports will be unable to do much about delays caused by strikes, they do have the capacity to compete effectively with over-crowded London airports.

Of all the regional airports, Manchester airport has benefited the most from south-east capacity constraints over the past 10 years. The number of passengers passing through the airport has increased from 3.5m in 1979 to 11m last year, while aircraft movements have gone up from 75,000 to 160,000 a year. Manchester now claims to be the 16th most important airport in the world.

That sort of growth looks set to continue. Over the next six months, the airport expects to welcome 10 new scheduled services.



Manchester Airport

Mike Arron

However, airport authorities admit that many airlines which would like to fly to Manchester continue to have problems gaining route licences.

For example, American Airlines, Delta and Northwest would all like to fly additional flights to Manchester, but do not yet have permission. It is taking on average three years for licences to be processed if both sides are willing.

The airlines hope to take advantage of the additional investment at Manchester. The airport, which is 55 per cent owned by Manchester City Council and 45 per cent by nine other Greater Manchester boroughs, is building a second £557m terminal.

The investment should double the capacity of the airport by 1998, making it capable of handling 24m passengers a year. Last year, Gatwick handled 21m passengers and was the world's second busiest international airport.

The airport claims that its growth will have a remarkable effect on the local economy. At present it employs 1,600 people, generating £42m worth of profits in 1989 on a turnover of £108m.

However, the airport authorities claim the new terminal will create 10,000 jobs directly, and a further 40,000 jobs in the regional and national economies.

Given the economic benefits of airports, and the undoubted future demand for runway capacity in Europe, other cities are looking at their potential advantages.

British Aerospace has recently concluded an 18-month feasibility study to develop Liverpool Airport. The company wants to construct a purpose-built airport in the American style, which would act as hub for passengers from the US wanting to fly to other destinations in Europe.

It believes there is scope for an £1.2bn airport capable of handling 40m passengers, or 200,000 movements a year at the site. The airport would include a second runway, new terminal facilities, a high-speed rail link, motorway connections and an extension of the present runway by about 2,700 ft.

BAe is negotiating with Liverpool City Council at the moment. It says that if the plan proves feasible, it will be looking for partners to help finance the project.

Other airports in the region also hope to take advantage of the shortage of runway capacity in the south-east.

One of these is Leeds-Bradford airport which handled 890,000 passengers last year – an increase of 27 per cent on 1988 – and expects to break through the 1m barrier during 1990. It made a profit of nearly £1.3m after tax last year.

However, most of the growth at Leeds-Bradford has come from scheduled operators increasing the size of the aircraft they fly from the airport.

Charter operators provide only 28 per cent of passenger traffic, compared with 70 per cent at most airports of a comparable size.

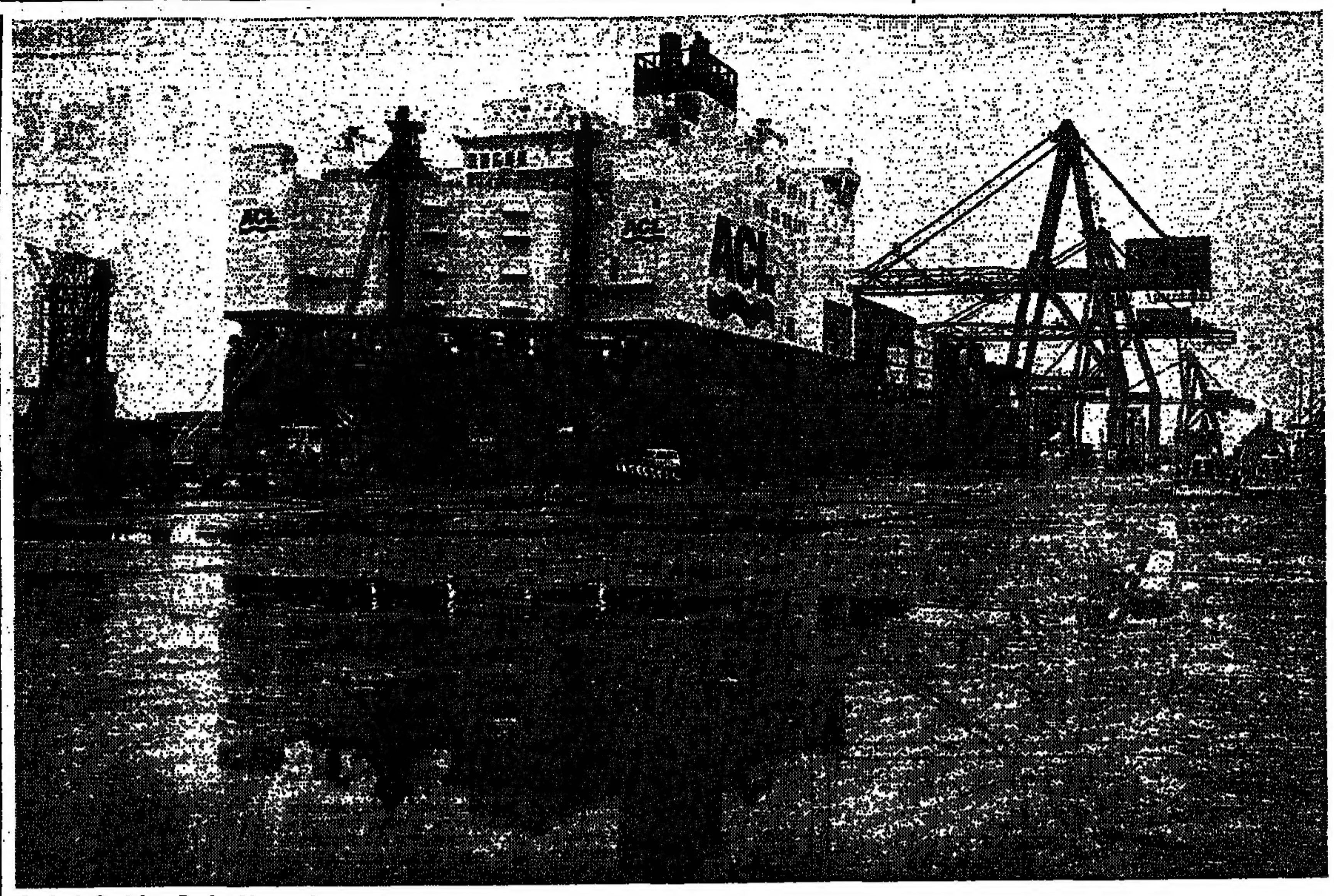
The reason for this is the restrictions on operating hours imposed by the Department of Transport, which prevent flights after 11.30pm and before 7am. Mr Stuart Murray, director of administration and finance at Leeds-Bradford, believes that charter operators are unwilling to operate from the airport because if their flights are delayed from the Mediterranean out of operating hours they are forced to divert to another airport.

He argues that if the airport operated 24 hours a day, it could double the number of jobs it generates. At present, he claims that 1,000 people owe their jobs to Leeds-Bradford.

One airport without such restrictions is Humberside International, which is owned by Humberside County Council. It aims to pick up charter traffic once it has built a 500m runway extension as part of a £14m development scheme.

At present the runway is too short to allow fully-laden charter jets to fly to popular Mediterranean holiday destinations. For the most part, the airport is used by business travellers.

The airport authorities at Humberside hope that the new programme will provide them with capacity for 500,000 passengers a year. The number of passengers using the airport has increased from 72,360 in 1979 to 153,630 last year. The airport awaits permission from the Department of Transport to raise the necessary money.



Seaforth Container Docks, Liverpool

Martin Regan looks at a renaissance

The ports are thriving again

DURING the late 1970s it was difficult to regard the Humber and Mersey Ports with anything other than sadness. As northern manufacturing declined and with it the requirement for raw materials and export facilities, the ports became almost relics of past industrial glory.

The decline was caused by fundamental changes in trading patterns, but many of the wounds were self-inflicted. Overmanning, lack of investment and the simple fact that mainland European ports were cheaper and better compounded the problems.

During the latter half of the 1980s, the ports, particularly on the Humber, have enjoyed a renaissance and are now assuming the strategic importance which was once taken for granted.

The Humber ports of Hull, Grimsby, Immingham and Goole were taken over by Associated British Ports in 1981, after the abolition of the state-run British Transport Docks Board.

Following privatisation in 1983, the company introduced a decentralised management structure, giving port managers day-to-day control of all commercial and operational decisions. The policy allowed a rapid response to market changes, particularly the growth of containerisation.

For logistical reasons, Grimsby and its deep water port of Immingham are managed together. The Grimsby fishing fleet, once so important to the economy that the Royal Navy was despatched to defend its fishing grounds off Iceland, has now declined to a fraction of its former size.

Yet the port has successfully developed its processing industry to the point where the 250,000 tonnes of fish processed each year is virtually the same as when the trawlers were out in force.

Findus, Ross Young, Birds

The processing centre of Grimsby is an entry point for foreign cars

Eye (Walls) and Bluecrest have all invested heavily in processing facilities.

The port is also an entry point for foreign cars. Around half the UK's imports of Volkswagens and Audis are handled there.

Immingham, which can take ships containing 120,000 tonnes, is now the UK's busiest port in terms of cargo throughput and the fourth largest in terms of cargo volume.

Its main cargoes have traditionally been oil imports for the Conoco and Petrofina-Total refineries, steel exports from British Steel at Scunthorpe and grain exports from the agricultural belt of Lincolnshire.

However, it has been the growth in container and ro-ro traffic which has been most noticeable. Last year, Immingham handled around 5m tonnes of unit load traffic and expects this to grow considerably. The Fred Olsen line and the Danish Maersk Group are the main players in a business which now has 40 sailings a day, to Europe, Iceland and the Mediterranean.

Mr Stephen Pearse, assistant port manager, says the growth has been "quite exceptional.

"In tonnage terms, our main increases have been in bulk materials and oils, but we are achieving growth in terms of freight serving the Transpennine area," he says.

"Unit load traffic has continued to expand. Many of our owners have replaced their ships with bigger models while others have replaced ships with bigger models."

Further inland, the smaller ports of Hull and Goole have also enjoyed growth. Hull, which mainly handles liquid bulk cargoes, is planning heavy investment in new facilities. In January, the 17-acre Hull container terminal was reopened after being closed for much of last year. The abolition of the dock labour scheme allowed the port to bring in Humberside Sea and Land Services to operate the terminal.

Last year, Hull won parliamentary approval for an expansion plan which will involve the creation of three new ro-ro berths. This is expected to reduce turnaround times dramatically.

The growth of the Humber ports has tended to overshadow the achievements of the Port of Liverpool. The port, at one point almost £2m in debt, has seen major productivity increases at Seaforth, particularly since the abolition of the dock labour scheme.

The 600-acre Liverpool free port, opened in 1985, has so far handled almost 2m tonnes and is now planning to expand its facilities.

Despite attempts to promote Liverpool as a cargo land bridge between North America and Europe, it is geographically misplaced for most European-bound cargoes. The hope must be that increased trade across the Irish Sea will allow the port to maintain growth.

The threat posed to all ports by the Channel Tunnel is difficult to evaluate. An independent report by consultant, Setec Economie suggested that in its first year of operation the tunnel would handle 15.4m tonnes of freight, rising to 34.8m tonnes by 2013.

At present, according to figures from UK Trade Data, total tonnage through the Mersey and Humber ports (rather than through traffic) is almost 60m tonnes. For unit load traffic, the market at which the tunnel is aiming, the figure is around 12m tonnes.

The ports of Northern Europe are a long drive from the tunnel and many believe that trade to and from the Scandinavian countries will turn to the East Coast ports to compete with those countries enjoying easy access to the tunnel. Whatever the outcome, few on the Humber are losing sleep.

Robert Waterhouse on the founders of the Transpennine movement

The daring effrontery of latitudinal thinking

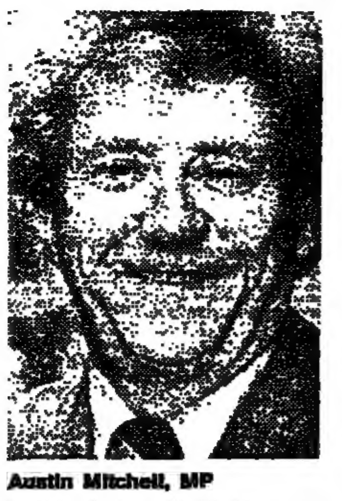
TRANSPENNINE CONCEPTS involve both lateral and latitudinal thinking: an assertion that people move purposefully between points equidistant from London.

Such effrontery also challenges established notions of the north-west and Yorkshire and Humberside as separate regions. A 150-mile-long, 60-mile-wide city state of Transpennine demands comparison with the Landers of Germany or the autonomous provinces of Spain. In effect, it redraws the map of Europe — much to the liking of Brussels.

That is the revolution proposed by a tiny organisation (turnover of around £50,000) whose director, Mr David Fletcher, is perforce part-time; whose chairman, Mr Justin Kornberg, chairman of Listers, is London-based; whose predominantly private sector membership is lobbying for strategic regional planning; and whose two major host cities, Manchester and Leeds, are locked in a new round of competition.

Political and geographical diversity is represented by the All-Party Transpennine Group of MPs, chaired by Mrs Elizabeth Peacock (C, Batley & Spen), whose vice-chairman is Mr Austin Mitchell (Lab, Greater Grimsby) and whose secretary is Mr Ronald Fearn (SLD, Southport). The group, with about 35 active members is the first such lobby of English parliamentarians. With regionalism on the agenda at the next general election, how hard can Transpennine push? Is there a desire other than to co-ordinate activities between existing government departments?

Mr Chris Haskins, Hull-based chairman of Northern Foods and vice-chairman of Transpennine, believes that the "disastrous" centralisation of decision-making in Westminster and Whitehall has reinforced the process of service industries supplanting manufacturers during the last decade. The south-east became a model for the country as a whole. The north, the natural home of manufacturing, was barely consulted, he feels.



Austin Mitchell, MP

He likes the idea of regional self-determination on continental lines. But Mr Kornberg, who notes that Mrs Thatcher has given full backing to Transpennine, would not welcome new bureaucracies. His "M62 Club," which gave birth to Transpennine, has ideological roots in the self-help practices of Massachusetts, which he sees as the Promised Land.

Visiting Boston in the mid-1970s, Mr Kornberg was struck by the parallels between the rundown textile areas of New England and the Pennines. But although Lancashire and Yorkshire had the M62 in place, it was doing nothing like the job of Highway 128, catalyst of the renewal process around Boston. "The textile industry had a much worse time in the US," he suggests.

On the other hand, the regional banks (which badly needed clients), the business community and the universities were making positive use of cheap factory space to start new ventures — such as Digital at Maynard.

"It encouraged me that the Massachusetts institutions were almost identical to our own, bonded by mutual dislike and distrust," Mr Kornberg says. The idea of a private sector-local authority partnership to promote the north proved surprisingly acceptable, eventually leading to the Manchester Polytechnic conference of April 1987 from which Transpennine was born.

Mr Kornberg is a man of the Right; Mr Haskins is from the Left; Mr Fletcher, the organisation's director and leading apologist, is somewhere in the centre. But as a Countryside Commissioner and former head of Manchester Polytechnic's Department of Environmental and Geographical Studies, Mr Fletcher finds himself thick in Green debates.

For example, Transpennine stresses the urgent need to create an all-weather road between Manchester and Sheffield. That, inevitably, means crossing the Peak National Park. However, the national park authority is totally opposed. The compromise Transpennine solution — widening the abandoned Woodhead rail tunnel — could prove costly as well as controversial.

Transpennine's very name suggests a different approach to the north. Mr Fletcher believes that north-south divide debates are sterile, though he stresses that the reality of over-development in the south and under-investment in parts of the north is good for neither end of the country. In English terms "the north" may mean something specific, but it is confusing to Americans or Japanese, who see Transpennine as a belt in the middle of Britain.

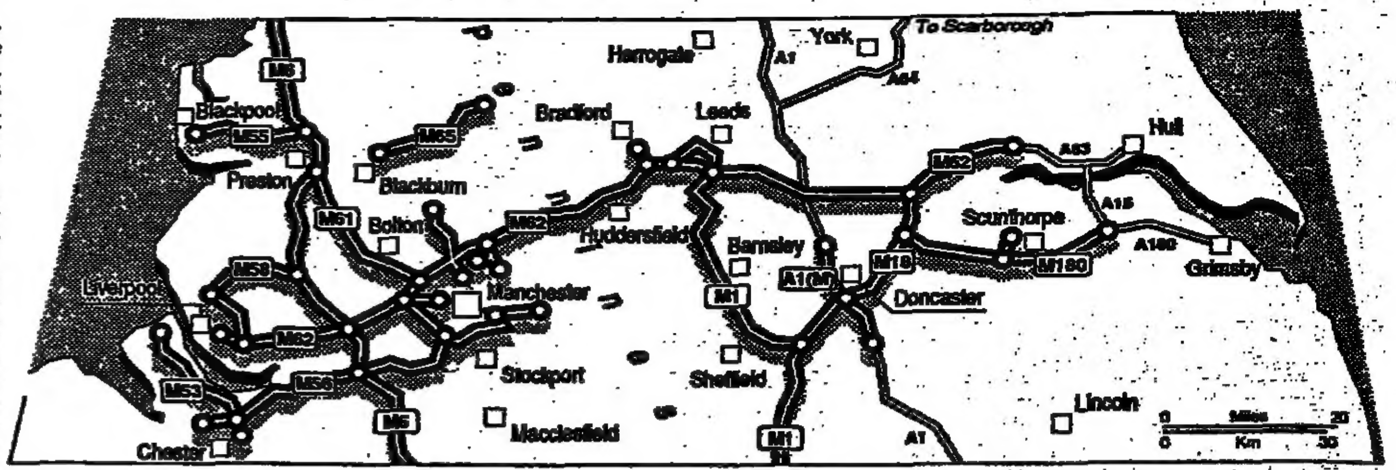
As a region, Transpennine accounts for around 20m people, 20 per cent of Britain's GDP and 35 per cent of its manufacturing industry. Its economy is bigger than several EC countries but, Mr Fletcher suggests, unless it acts in unison, it is in danger of being marginalised by the major continental growth points.

Pushing Channel Tunnel links is important, yet the greater opportunity lies perhaps in making the most of the Humber ports with their access to Central and Eastern Europe.

Mr Fletcher claims that the successful city of the 21st century will not follow traditional concentric patterns. Many of London's problems lie in daily commuting to one nodal point from distances at least as spread out as Transpennine. Liverpool, Manchester, Leeds/Bradford, Sheffield and Hull, on the other hand, are free-standing centres. Communication between and within them is essential, but no one city should be seeking primacy.

This view challenges long-held and continuing rivalries between Manchester and Leeds, vying for recognition as capital of the north.

Mr Fletcher, based at Hebden Bridge just about half way between the two, sees competition as healthy so long as it is a spur for mutual improvement and not — as in the days when Manchester depleted Liverpool and Leeds drained Sheffield — a case of the victor raking the spoils. "One plus one," as he puts it, "makes more than two."



David Fletcher, head of the Transpennine organisation, which is supported by leading companies in the region Mike Arron

The topographical, cultural and indeed historic differences within Transpennine make for a multi-layered identity which is hard to sell, both to the outside world and to people within the area. That is still Transpennine's major mission.

The fact that modern business does not recognise local authority boundaries, that Yorkshire and Lancashire companies are happy to cross the Pennines where they see an opportunity, provides a logic if not an official framework.

But barely 15 months since its formation, Transpennine is delighted by the response of such bodies as the North of England Regional Consortium, the Yorkshire and Humberside Development Agency, Inward, Lancashire Enterprises, Greater Manchester Economic Development, Huddersfield 2000 and Sheffield Partnership. All concede there is a valid context for macro-regional debate.

Transpennine will remain the concept, the lobby, the crusade. "We have no aspirations to becoming a bigger outfit," says Mr Fletcher. "We are the bridge-builders." He would like more members than the present 70 or so, but declines to set organisation targets. "It's very early days yet, and something like this takes time. After all, we are charting the unknown."

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The road to independence

Continued from Page 1

are well into double figures and rising. Only two or three years ago they were down as low as £5.

"However, there are now more proportionately more failures in the south than the north. We believe that the northern economy is much more recession-proof than 10 years ago and well able to stand on its own feet and afford higher prices."

His firm's markets are among businesses turning over between £2m and £50m. He is part of a growing financial and professional services sector which gives the Transpennine region a stand-alone ability and increases its independence from London year by year.

"What these developments help prove is that if an economic region is big enough and has a broad industrial and commercial base, then regeneration may well be possible from within. However, the Government should not get carried away by its own rhetoric on such matters yet, for not all is wonderful.

On the west side of the Pennines, 11 out of 28 travel-to-work areas have male unemployment rates in double figures, ranging from 19.5 per cent in Liverpool to 10.1 per cent in Oldham. Areas affected are peripheral to the north and Britain — such as Merseyside — or are beset by narrowly-based economic structures and older industry, such as Wigan or the old towns in the elbow of the M61 and M62.

East of the Pennines, 10 of 28 travel-to-work areas are similarly afflicted, with the Yorkshire coalfields still struggling to come to terms with traumatic change and job losses.

Much has been written of the northwards ripple of benefit from a booming southern economy and the fears that the present slowdown will induce hypothermia in the north. The *de facto* growth of the Transpennine economy may provide some insulation, but will it be enough?

A great deal may depend on how well industry and commerce can find new markets for their output and services other than in the south. The Transpennine belt already lies on an east-west axis and its ports are an overnight crossing away from the European mainland. If it is becoming a self-sustaining economic super-region, the 1990s will be the time to prove it — by heading east.